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*Illinois State Board of Investment*

ANNUAL REPORT

1976

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September 10, 1976

Trustees:

The General Assembly Retirement System  
The Judges Retirement System of Illinois  
The State Employees' Retirement System of Illinois

Gentlemen:

Pursuant to Article 22A, Section 115 of the "Illinois Pension Code," which provides for financial statements, audits, and related matters concerning pension assets under the Board's jurisdiction, the Illinois State Board of Investment hereby transmits its Annual Report for the year ended June 30, 1976.

Respectfully submitted,

The signature of Robert J. Downing, Judge and Chairman of the Board.

Judge Robert J. Downing, Chairman

The signature of Richard A. LaPoint, Director.

Richard A. LaPoint, Director

CONTENTS  
OF  
ANNUAL  
REPORT

- 2 Board Members
- 3 Review of Operations
- 6 Illinois Bond Fund Review
- 8 Illinois Equity Fund Review
- 10 Statement of Assets and Liabilities
- 12 Statement of Operations
- 12 Statement of Changes in Net Assets
- 14 Portfolio of Investments Illinois Bond Fund
- 18 Portfolio of Investments Illinois Equity Fund
- 23 Portfolio of Investments Segregated Investment Funds
- 24 Management Fund
- 25 Notes to Financial Statements
- 27 Accountants' Report

Compliance Audit Report—See separate document on file with the Auditor General, State of Illinois

Investment Transactions—See insert  
Brokers and Dealers Used—See insert

# Board Members

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## Chairman

\***Judge Robert J. Downing**  
Chicago  
Chairman, Board of Trustees  
Judges Retirement System of Illinois

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## Vice Chairman

\***A. D. VanMeter, Jr.**  
Springfield  
Appointed Member

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## Recording Secretary

\***Donald A. Belgrad**  
Highland Park  
Appointed Member

**Representative Louis F. Capuzi**  
Chicago  
Acting Chairman, Board of Trustees  
General Assembly Retirement System

**Alan J. Dixon**  
Springfield  
Treasurer, State of Illinois

\***Senator Robert J. Egan**  
Chicago  
Chairman, Illinois Public Employees  
Pension Laws Commission

**Elliott Epstein**  
Springfield  
Acting Chairman, Board of Trustees  
State Employees' Retirement System of Illinois

**Elaine C. Mason**  
Chicago  
Appointed Member

**Daniel D. Sugerman**  
Chicago  
Appointed Member  
\*Member of the Executive Committee

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## Accounting and Audit Committee

**Daniel D. Sugerman, Chairman**  
**Robert J. Downing**  
**Elaine C. Mason**

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## Investment Policy Committee

**A. D. VanMeter, Jr., Chairman**  
**Donald A. Belgrad**  
**Alan J. Dixon**  
**Robert J. Downing**  
**Robert J. Egan**

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## Staff

**Director**  
**Richard A. LaPoint**

**Investment Officers**  
**Larry G. Darlington**  
**Ralph M. Fox**

**Investment Analysts**  
**Ernest G. Jacob**  
**Earl C. Jones, Jr.**

**Financial Officer**  
**Walter W. Reider**

**Assistant Financial Officer**  
**Robert L. Butler**

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## Investment Counsel

**Illinois Equity Fund**  
The First National Bank of Chicago  
Chicago, Illinois  
T. Rowe Price Associates, Inc.  
Baltimore, Maryland  
(through April 15, 1976)  
Fayez Sarofim & Company  
Houston, Texas  
(through June 30, 1976)

**Illinois Bond Fund**  
Alliance Capital Management Corporation  
New York, New York  
(through July 17, 1975)  
The First National Bank of Chicago  
Chicago, Illinois  
(through December 31, 1975)

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## Custodian

Harris Trust and Savings Bank  
Chicago, Illinois

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## Legal Counsel

**Robert A. Tingler**  
Special Assistant Attorney General

# Review of Operations

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## Fiscal 1976 in Summary

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The Illinois State Board of Investment completed its sixth full year of operation on June 30, 1976. The highlights of this year, briefly stated, were

- An increase of \$91.1 million in the value of assets managed to \$588.0 million.
- An increasing portion of assets handled by internal staff with a consequent savings in investment costs.
- An investment policy which focused on the achievement of a maximum total return within the context of risk avoidance.

## Investment Program

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Created in 1969 to manage the investments of the General Assembly, the Judges, and the State Employees' Retirement Systems, the Board has as its primary obligation the supervision of these assets in a prudent and economical framework. It had been determined in the previous fiscal year that the execution of this responsibility would be strengthened by a program of internal management, rather than continued reliance on multi-external advisors. The further development of this program was the immediate task of the Board in fiscal 1976. As experience was gained, the Board gradually consolidated under internal management the portfolios formerly advised by outside counsel.

The Illinois Bond Fund was brought under total internal supervision with the cancellation of the relationship with Alliance Capital Management Corporation on July 17, 1975, and the one with the First National Bank of Chicago on December 31, 1975. Later in the year, the advisory relationships with T. Rowe Price and Associates and Faye Sarofim and Company for the Illinois Equity Fund were cancelled on April 15, 1976, and June 30, 1976, respectively. As fiscal 1977 began, \$535 million in assets was under internal management, with one external advisor remaining.

The impact of this program will be more fully reflected in fiscal 1977, although an initial effect on the Board's Management Fund was apparent in the past year. Total expenses declined from \$754,000 to \$682,000. Since fiscal 1976 was a year of overlapping external advisor fees and expanded investment staff, further reductions will be evidenced in the coming year.

The Board's investment policy is designed to achieve a maximum total return over the long run. It is tempered with a keen awareness of the fiduciary nature of the Board's responsibilities in managing the assets of public retirement systems which are not fully funded. During the year, the Board continued to emphasize fixed income investments with the commitment of accumulated and new contributions from the Retirement Systems to the Illinois Bond Fund. The Board seeks to control risk by maintaining a high quality, diversified portfolio of security holdings. A more detailed review of the policies and

strategies pursued in the Illinois Bond Fund and the Illinois Equity Fund will be found in subsequent sections of this report.

Economic conditions during the fiscal year were favorable for both the equity and fixed income markets. The continued expansion of economic activity at a moderate pace had a positive influence on the rate of inflation, corporate profitability and financial strength. The trend in interest rates was moderately downward although contrary movements occurred in individual quarters. Higher equity prices were mostly a result of the improved level of corporate earnings rather than an increased valuation given to earnings.

## Board Membership

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The biennial election of officers was held at the Annual Meeting in September, 1975. Mr. Charles W. Woodford was re-elected Chairman; Mr. A. D. VanMeter, Jr., Vice Chairman; and Representative Douglas N. Kane, Recording Secretary. Subsequently, the resignation of Mr. Woodford became effective, and Judge Robert J. Downing, Chairman of the Judges Retirement System, was elected Chairman at a Special Meeting of the Board.

The Board was saddened by the death of Senator Sam Romano, who had served as Chairman of the General Assembly Retirement System.

During the year, Representative Douglas N. Kane and Mr. Irving J. Markin, Appointed Members; Mr. Richard W. Erkes, Chairman of the State Employees' Retirement System; and Senator David C. Shapiro, Chairman of the Illinois Public Employees Pension Laws Commission, left the service of the Board.

Mrs. Elaine C. Mason and Messrs. Donald A. Belgrad and Daniel D. Sugerman were appointed to the Board by the Governor, and Senator Robert J. Egan became Chairman of the Illinois Public Employees Pension Laws Commission. Mr. Elliott Epstein and Representative Louis F. Capuzi were Acting Chairmen of the State Employees' and the General Assembly Retirement Systems, respectively, at year end.

## Legislation

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During the year, amendments were enacted to clarify legislation affecting the Board's operation. Under Public Act 79-1171, Article 22A of the Illinois Pension Code was amended to permit each ex-officio member to designate a proxy to represent the member at meetings of the Board and its committees. This same Act clarified the definition of investment advisor and the Board's capacity to purchase general research and accounting services.

Under Public Act 79-1112, the Illinois Public Meeting Act was amended to permit closed session when the sale and purchase of securities or investment contracts are to be considered. All decisions are reported in open session and reflected in the official minutes of the Board.

## State Employees Deferred Compensation Plan

The Board was assigned the additional responsibility to develop and establish the State Employees Deferred Compensation Plan under Article 24 of the Illinois Pension Code. During fiscal 1976, the Board was appropriated funds to undertake this assignment. In addition, under Public Act 79-384, Article 24 was amended to provide for the recovery of development and administrative costs from the earnings of the Plan or from the fees equitably pro-rated among participating employees. All sums advanced to the Board for the costs of development and establishment of the Plan are to be repaid to the State Treasury by June 30, 1986, thereby incurring no expense to the Board's constituent Retirement Systems.

The Board has employed an independent actuarial consulting firm, Hewitt Associates, to advise on the implementation of these responsibilities. At fiscal year end, a ruling from the Internal Revenue Service on the tax status of the Plan was pending. Implementation cannot occur until rulings are obtained from the Internal Revenue Service and the Illinois Department of Revenue.

The administration of the program is assigned to the Department of Personnel under Article 24. With the completion of the basic outline of the Plan by the Board, the Department had begun the development of appropriate administrative procedures to implement the Plan.

## SEGREGATED INVESTMENT FUNDS

The value of the net assets of the General Assembly, the Judges, and the State Employees' Retirement Systems was \$588.0 million at year end. The increase of \$91.1 million over June 30, 1975, reflected improvement in net investment income as well as market appreciation. The six-year record for each Segregated Fund is presented in the statement of Supplementary Financial Information on page 5.

The investments of each Retirement System are participations in the Illinois Bond Fund and the Illinois Equity Fund, and cash and equivalents held temporarily before deployment into these commingled funds. Perspective on the Board's overall investment position is obtained by consolidating all security holdings into three major classifications.

### Combined Assets at Market (000)

	June 30, 1976	June 30, 1975
Cash and equivalents*	\$ 27,531 4.7%	\$ 68,324 13.7%
Long-term debt	380,385 64.7	279,791 56.3
Equities	180,098 30.6	148,817 30.0
	<u>\$588,014</u> <u>100.0%</u>	<u>\$496,932</u> <u>100.0%</u>

\* Net of unsettled transactions and receivables/payables.

Investment reserves, represented by cash and equivalents, declined to less than 5%. The attractiveness of reserves diminished as short-term interest rates remained at relatively low levels and the economic recovery continued. The Board became more fully invested in both the Bond Fund and the Equity Fund.

The proportion of assets invested in long-term debt securities increased to nearly 65%. The Board's policy for the past two years has been to direct all contributions from the Retirement Systems to fixed income investment. In fiscal 1976, \$58.85 million in new contributions, including reserves accumulated in the previous year, was added to the Illinois Bond Fund and reinvested in long-term securities. All income earned from the Bond Fund and the Equity Fund was reinvested in the respective Fund.

The proportion of assets invested in equity securities at market value remained relatively stable at the 30% level. However, the Statutory Equity Ratio, which is based on book value of each retirement system, declined to 32.3% on a combined basis. The maximum allowable is 40%, and the year-end level compares with 35.5% in 1975 and 39.4% in 1974.

Investment income, net of management expenses, amounted to \$34.5 million in 1976, an increase of \$4.0 million. The rate earned on average net assets at market declined to 6.4% from 6.8% in 1975, reflecting both lower interest rates and higher market valuations.

Fiscal Years	Average Income Yield		
	Average Net Assets*	Net Income	Average Income Yield
1976	\$542,473	\$34,505	6.4%
1975	450,230	30,516	6.8
1974	409,096	25,644	6.3
1973	394,450	20,599	5.2
1972	339,418	16,360	4.8
1971	264,530	16,665	6.3

\* Average Net Assets is average of beginning and ending market value of Combined Segregated Funds.  
\$(000)

*Financial statements of the Segregated Investment Funds and the Illinois Bond and Equity Funds for the fiscal year 1976 begin on page 10.*

### Supplementary Financial Information Segregated Investment Funds

Fiscal Year	New Money Contributions	Realized & Unrealized Market Appreciation (Depreciation)	Net Income	Net Assets At Market (Period End)	Cumulative Annualized Rate of Return*
<b>General Assembly Investment Fund</b>					
1976	\$ 190,000	\$ 268,466	\$ 571,200	\$ 9,451,688	6.5%
1975	155,000	406,981	550,658	8,422,022	5.4
1974	25,000	(1,131,712)	499,976	7,309,383	3.6
1973	370,000	(370,204)	406,472	7,916,119	7.9
1972	535,000	352,915	340,848	7,509,851	12.1
1971	500,000	451,621	362,325	6,281,088	14.3
1970**				4,967,142	
<b>Judges Investment Fund</b>					
1976	\$ 2,700,000	\$ 852,159	\$ 1,850,655	\$ 31,713,737	6.6%
1975	2,700,000	1,215,336	1,619,419	26,310,923	5.5
1974	1,920,000	(3,140,075)	1,325,780	20,776,168	3.3
1973	2,275,000	(922,296)	1,017,343	20,670,463	8.6
1972	1,900,000	631,727	869,262	18,300,416	13.4
1971	3,350,000	1,497,186	802,030	14,899,427	18.5
1970**				9,250,211	
<b>State Employees' Investment Fund</b>					
1976	\$36,500,000	\$16,066,781	\$32,082,739	\$546,848,483	6.3%
1975	36,500,000	21,910,000	28,346,030	462,198,963	5.3
1974	24,000,000	(58,452,456)	23,817,891	375,442,933	3.2
1973	36,500,000	(18,022,997)	19,174,915	386,077,498	8.2
1972	32,250,000	17,604,686	15,150,068	348,425,580	12.8
1971	35,250,000	22,430,027	15,500,326	283,420,826	15.4
1970**				210,240,473	
<b>Combined Segregated Investment Funds</b>					
1976	\$39,390,000	\$17,187,406	\$34,504,594	\$588,013,908	6.4%
1975	39,355,000	23,532,317	30,516,107	496,931,908	5.3
1974	25,945,000	(62,724,243)	25,643,647	403,528,484	3.2
1973	39,145,000	(19,315,497)	20,598,730	414,664,080	8.2
1972	34,685,000	18,589,328	16,360,178	374,235,847	12.8
1971	39,100,000	24,378,834	16,664,681	304,601,341	15.4
1970**				224,457,826	

\* Total internal rate of return (including income).

\*\* Assets transferred to Board June 30, 1970.

# Illinois Bond Fund Review

## Results

The market value of the Illinois Bond Fund was \$393.5 million on June 30, 1976, more than \$94 million over a year ago. The increase was the largest in the Fund's history, mainly due to the large inflow of Retirement System contributions, part of which had been accumulated during the previous year.

### Increase in Illinois Bond Fund

	Fiscal 1976 (000)	Fiscal 1975 (000)
Contributions	\$58,850	\$30,550
Net Investment Income	28,869	22,722
Net Appreciation	6,367	7,025
	<hr/> <u>\$94,086</u>	<hr/> <u>\$60,297</u>

The five year record of the Illinois Bond Fund is summarized in the table below. The total return of the Fund was 9.8% in fiscal 1976, compared to 10.4% for the Salomon Brothers Index.

The Salomon Brothers Index is a list of high-grade, long-term corporate bonds diversified by maturity and coupon, and is a reasonable proxy for the market in measuring relative performance. The Illinois Bond Fund, however, is more defensively structured since it includes United States Government issues, short-term reserves, and a high average current coupon. One would expect the Index to outperform the Illinois Bond Fund in a period of rising prices. As can be seen from the table below, the Illinois Bond Fund did provide a higher relative total return in fiscal 1973 and 1974 when bond prices were falling, and lagged in 1975 and 1976 when prices were rising.

## Portfolio Strategy and Analysis

During the year, the Board was a net purchaser of long-term bonds. Purchases exceeded sales by \$94 million, and cash reserves declined to 3.3% of the Fund, from 6.6% a year ago. The major elements of the Board's strategy during fiscal 1976 were a continued upgrading of overall quality and further diversification by maturity and industry.

A significant aspect of this strategy was the acquisition of Government National Mortgage Association (GNMA) mortgage-backed securities. These securities, fully guaranteed by the United States Government, provide a monthly cash flow from interest and principal payments which reduce the average life from the stated maturity of 30 years to approximately 12 years. During the year, \$19.7 million was invested in GNMA pools with bond equivalent yields to average maturity ranging from 8.3% to 8.5%. The effect of this program was to maintain or improve overall quality while shortening the average maturity at a time when GNMA securities were providing attractive yields relative to other fixed income investments. In addition, \$33,000,000 par of United States Treasury Notes maturing in the period 1978-1986 were acquired to increase maturity diversification. The average maturity of the Fund was shortened to 25 years from 28 years.

### Illinois Bond Fund\*

#### Fiscal Years Ending June 30th

	1976	1975	1974	1973	1972
Net assets at market	\$393,462,704	\$299,376,661	\$239,079,664	\$239,264,622	\$222,567,298
Units outstanding:					
General Assembly	627,851	578,321	487,239	450,212	420,306
Judges	2,421,342	1,872,745	1,408,600	1,201,266	1,055,422
State Employees'	40,512,681	31,215,521	25,652,926	22,624,265	20,725,011
Total	<hr/> <u>43,561,874</u>	<hr/> <u>33,666,587</u>	<hr/> <u>27,548,765</u>	<hr/> <u>24,275,743</u>	<hr/> <u>22,200,739</u>
Value per unit	\$9.03	\$8.89	\$8.68	\$9.86	\$10.03
Income per unit	0.73	0.75	0.76	0.69	0.16**
Total rate of return***					
Illinois Bond Fund	9.8%	11.2%	(4.4)%	5.2%	1.3%**
Income only	8.2	8.7	7.7	6.9	—
Salomon Brothers Index	10.4	14.3	(7.3)	4.7	1.3
Income only	8.2	8.4	7.2	7.0	—

\* Fund established April 1, 1972, at \$10.00 per unit.

\*\* For three months only.

\*\*\* Time-weighted for the year.

**Maturity Distribution**  
Fiscal Years Ending June 30th

	1976	1975
Cash and Equivalents	3.3%	6.6%
1- 5 years	4.2	—
6-10 years	5.7	—
11-15 years*	5.0	0.5
16-20 years	2.9	0.9
21-25 years	30.2	39.4
26-30 years	27.0	33.0
over 30 years	21.7	19.6
	<u>100.0%</u>	<u>100.0%</u>

\* GNMA securities with 30 year final maturities and estimated average lives of 12 years included here.

The emphasis on the acquisition of GNMA and United States Treasury issues had a significant impact on the overall quality rating of the portfolio. Government securities and corporate debt rated AA or higher increased to 94% of the total long-term position, from 87% a year ago. Issues rated A or less declined to 6% of the Fund, as sales were made during periods of firming prices.

**Quality Analysis**  
Fiscal Years Ending June 30th

	1976	1975
U.S. Government and Agency	30%	24%
AAA	40	40
AA	24	23
A or less	6	13
(excluding Cash Reserves)		

In the long-term sector of the market, emphasis was placed on higher coupon and utility issues for additions, with a major reduction in industrial holdings. The diversification by type of issuer at year end is presented in the table below.

**Industry Diversification**  
Fiscal Years Ending June 30th

	1976	1975
U.S. Government and Agency	29.4%	22.5%
Canadian	4.9	3.4
Telephone	24.1	20.6
Electric/Gas Utilities	6.8	6.0
Industrial	30.3	39.5
Bank and Finance	1.2	1.5
Cash and Equivalents	3.3	6.5
	<u>100.0%</u>	<u>100.0%</u>

The average coupon of the Board's long-term holdings was 8.4% at year end, while the proportion of bonds with coupons of 8% or higher increased to 71% from 62% at the end of 1975.

Portfolio turnover is measured by dividing the lesser of the cost of securities acquired or the proceeds of securities sold by the average market value of the bonds. This ratio declined in fiscal 1976 to approximately 21% compared to 96% in 1975, and 208% in 1974. As a result, the market value of all long-term bond transactions (excluding maturities of less than one year) decreased to \$235 million versus \$513 million in 1975 and \$903 million in 1974.

# Illinois Equity Fund Review

## Results

The value of the Illinois Equity Fund was \$190.5 million on June 30, 1976. Since all new contributions from the Retirement Systems were directed to fixed income investments, the increase of \$10.4 million reflected net investment income and market appreciation.

### Increase in Illinois Equity Fund

	Fiscal 1976 (000)	Fiscal 1975 (000)
Net Investment Income	\$ 6,265	\$ 6,751
Net Appreciation	<u>10,183</u>	<u>16,174</u>
	<b>\$16,448</b>	<b>\$22,925</b>

The six year record of the Illinois Equity Fund is contained in the table below. During fiscal 1976, the major advance in the overall market occurred in the January/March quarter. There was a tendency for the averages to move within a narrow trading range during most of the year. The total return, from income and appreciation, of the Standard and Poor's Index was 14%. This result, however, was heavily influenced by the recovery of the smaller capitalization companies within the Index. The fifty largest companies, which comprise 56% of the Index, had an average rate of return of only 7.7%; the remaining 450 companies provided the impetus to the market's advance. Since the Board focuses its attention on larger, more established companies as a method of controlling fundamental risk, this disparity is reflected in the Illinois Equity Fund. The total return of the Fund was 9.4%.

## Portfolio Analysis and Strategy

Equity holdings at year end were \$180 million, or 94.6% of the value of the Illinois Equity Fund. Cash and equivalents held as a reserve for investment were reduced from the 14% level at the beginning of the year to 5.4%. Purchases exceeded sales by \$21.1 million with the major changes in positions occurring in the following issues:

	<u>Net Purchases</u>	
U. S. Steel	\$2,418,066	
Ohio Casualty Corp.	2,091,000	
Diamond Shamrock	1,857,896	
Champion International	1,814,687	
General Motors Corp.	1,768,634	
Baxter Travenol Labs.	1,717,460	
Allegheny Power System	1,701,675	
Burroughs Corp.	1,585,380	
Standard Brands Paint	1,388,485	
Ingersoll-Rand Co.	1,305,170	

	<u>Net Sales</u>	
Beatrice Foods Co.	\$2,224,817	
Minnesota Mining & Mfg.	1,429,893	
Pepsico	1,252,245	
General Telephone & Electronics	1,073,407	
Marsh & McLennan Co.	1,064,343	
Warner Lambert Co.	1,048,415	
Kennecott Copper Corp.	1,039,904	
International Tel. & Tel.	969,741	
Black & Decker Mfg.	949,519	
American Hospital Supply	894,819	

## Illinois Equity Fund\*

### Fiscal Years Ending June 30th

	1976	1975	1974	1973	1972	1971
Net assets at market	\$190,492,323	\$174,043,816	\$151,118,846	\$164,252,070	\$130,757,094	\$68,865,616
Units outstanding:						
General Assembly	297,901	287,183	273,609	263,708	200,958	108,597
Judges	855,730	824,943	785,952	672,030	472,361	119,534
State Employees'	15,876,900	15,305,680	14,582,266	13,003,918	9,549,478	5,436,808
Total	17,030,531	16,417,806	15,641,827	13,939,656	10,222,797	5,664,939
Value per unit	\$11.19	\$10.60	\$9.66	\$11.78	\$12.79	\$12.16
Income per unit	0.37	0.42	0.41	0.35	0.35	0.43
Total rate of return**						
Illinois Equity Fund	9.4%	15.3%	(14.8)%	(5.3)%	8.2%	25.6%
Standard & Poor's 500 Index	14.0	16.0	(14.5)	0.1	10.7	32.1

\* Fund established July 17, 1970, at \$10.00 per unit.

\*\* Time-weighted for the year.

Source of Performance Data: Callan Associates Inc. (1972-1976)

During 1976, portfolio changes resulted in the following additions and deletions:

Additions	Deletions
Air Products & Chemicals	Associated Dry Goods
Allgeheny Power System	Beatrice Foods
AMP	Black & Decker Mfg.
Baker International	Chase Manhattan
Bendix	Citizens & So. Nat'l Bank
Carolina Power & Light	Dun & Bradstreet
Carter Hawley Hale	Emerson Electric
CBS	Emery Air Freight
Champion International	Hercules
Diamond Shamrock	Heublein
Franklin Life Insurance	Honeywell
General Mills	Houston Lighting & Power
Hewlett Packard	Kennecott Copper
Ingersoll-Rand	Lucky Stores
Eli Lilly	Middle South Utilities
Longs Drug Stores	Monumental
J. Ray McDermott	NCNB
Ohio Casualty	J. C. Penney
Raytheon	Pfizer
Standard Brands Paint	Revlon
U. S. Fidelity & Guaranty	Riviana Foods
Union Camp	Simplicity Pattern
U. S. Steel	Upjohn
	Winn-Dixie Stores

Portfolio turnover is measured by dividing the lesser of the cost of securities acquired or the proceeds of

securities sold by the market value (avg.) of the equities. This ratio for fiscal 1976 was 21% compared to 17% in 1975 and 31% in 1974. Stated commissions from security transactions amounted to \$377,000 in fiscal 1976 versus \$298,000 in 1975, and \$447,000 in 1974. The market value of transactions executed on a net business was \$11 million compared to \$15 million in 1975 and \$25 million in 1974.

The five largest industry commitments at year end accounted for nearly half of the Illinois Equity Fund.

	Illinois Equity Fund	S&P 500
Oil and Oil Service	18.3%	16.0%
Office Equipment	9.9	9.0
Utilities	8.3	11.7
Drugs and Health Care	7.2	6.3
Food, Soap, and Tobacco	6.0	9.5
	49.7%	52.5%

The fifteen largest holdings accounted for 32.7% of the total portfolio and ranged in concentration from 5.2% to 1.3% of market value. By law, no single equity may exceed 5% of the total Fund at book value. At year end, only International Business Machines, at 4.9% of book value, was close to the maximum.

#### Illinois Equity Fund—Fifteen Largest Holdings

Shares	Stocks	Market Value	Percent IEF	Rank 1975
35,450	International Business Machines	\$ 9,810,787	5.2%	1
79,108	Exxon	8,276,674	4.3	2
107,000	Standard Oil (Indiana)	5,403,500	2.8	3
42,500	Burroughs	4,420,000	2.3	10
74,100	American Telephone & Telegraph	4,186,650	2.2	6
75,000	Philip Morris	3,843,750	2.0	11
36,000	Atlantic Richfield	3,762,000	2.0	8
50,000	Sears Roebuck	3,237,500	1.7	4
37,000	Kerr-McGee	3,001,625	1.6	—
78,000	Continental Oil	2,993,250	1.6	—
46,500	Xerox	2,865,563	1.5	7
52,500	United States Steel	2,848,125	1.5	—
48,000	General Electric	2,742,000	1.4	12
30,000	Johnson & Johnson	2,520,000	1.3	—
65,000	Baxter Travenol Labs	2,510,625	1.3	—
		\$62,422,049	32.7%	

# Statement of Assets and Liabilities

June 30, 1976

Assets	Segregated Investment Funds			
	General Assembly	Judges	State Employees'	Combined Funds
<b>Investments, at market (*) (Note 1):</b>				
U.S. Government obligations	\$ —	\$ —	\$ —	\$ —
Canadian obligations	—	—	—	—
Corporate bonds	—	—	—	—
Convertible preferred stock	—	—	—	—
Common stock	—	—	—	—
Illinois Bond Fund (Note 2)	5,671,167	21,871,177	365,920,360	393,462,704
Illinois Equity Fund( **)(Note 2)	3,332,122	9,571,635	177,588,566	190,492,323
	<u>9,003,289</u>	<u>31,442,812</u>	<u>543,508,926</u>	<u>583,955,027</u>
<b>Cash and equivalents:</b>				
Cash (overdraft)	2,199	1,801	1,878	5,878
U.S. Treasury bills, at cost (approximates market)	—	—	—	—
Corporate short-term notes, at cost (approximates market)	<u>446,000</u>	<u>269,000</u>	<u>3,325,000</u>	<u>4,040,000</u>
	<u>448,199</u>	<u>270,801</u>	<u>3,326,878</u>	<u>4,045,878</u>
<b>Receivable for:</b>				
Investments sold	—	—	—	—
Dividends and interest	—	105	6,437	6,542
Advance to Management Fund—cash balance on deposit with State Treasurer	<u>240</u>	<u>530</u>	<u>10,230</u>	<u>11,000</u>
	<u>240</u>	<u>635</u>	<u>16,667</u>	<u>17,542</u>
Total assets	<u>9,451,728</u>	<u>31,714,248</u>	<u>546,852,471</u>	<u>588,018,447</u>
<b>Liabilities</b>				
<b>Payable for:</b>				
Investments purchased	—	—	—	—
Management Fund operating expense allocation (Note 3)	<u>40</u>	<u>511</u>	<u>3,988</u>	<u>4,539</u>
Total liabilities	<u>40</u>	<u>511</u>	<u>3,988</u>	<u>4,539</u>
<b>Net Assets (***)(Note 6)</b>	<b><u>\$9,451,688</u></b>	<b><u>\$31,713,737</u></b>	<b><u>\$546,848,483</u></b>	<b><u>\$588,013,908</u></b>
(*) Investments, at cost	\$9,593,511	\$33,255,000	\$570,262,546	\$613,111,057
(**) Statutory equity ratio (maximum allowable—40%)	35.0%	31.0%	32.3%	32.3%
(***) Units outstanding; Value per unit				

See notes to financial statements, pages 25-26.

**Commingled Investment Funds**

Illinois Bond Fund	Illinois Equity Fund
-----------------------	-------------------------

\$115,463,027	\$ —
19,291,042	—
245,631,407	—
—	186,000
—	179,911,673
—	—
—	—
<u>380,385,476</u>	<u>180,097,673</u>

(2,924)	37,430
2,036,467	821,814
4,090,000	<u>9,482,133</u>
<u>6,123,543</u>	<u>10,341,377</u>

—	2,072,947
6,963,357	472,820
—	—
<u>6,963,357</u>	<u>2,545,767</u>
<u>393,472,376</u>	<u>192,984,817</u>

—	2,448,498
9,672	43,996
<u>9,672</u>	<u>2,492,494</u>
<u>\$393,462,704</u>	<u>\$190,492,323</u>

\$376,177,749	\$170,873,365
43,561,874	17,030,531
\$9.03	\$11.19

# Statement of Operations

Year Ended June 30, 1976

Investment Income	Segregated Investment Funds			
	General Assembly	Judges	State Employees'	Combined Funds
<b>Income:</b>				
Interest	\$ 29,244	\$ 26,097	\$ 283,121	\$ 338,462
Interest distributed—Illinois Bond Fund	437,790	1,526,417	26,246,161	28,210,368
Dividends	—	—	—	—
Dividends distributed—Illinois Equity Fund	109,969	315,890	5,860,916	6,286,775
	577,003	1,868,404	32,390,198	34,835,605
<b>Expense:</b>				
Management Fund operating expense allocation (Note 3)	5,803	17,749	307,459	331,011
<b>Net investment income</b>	<b>\$ 571,200</b>	<b>\$ 1,850,655</b>	<b>\$ 32,082,739</b>	<b>\$ 34,504,594</b>
<b>Realized and Unrealized Gain (Loss) on Investments</b>				
Realized loss from security transactions (excluding short-term securities):				
Proceeds from sales	\$ —	\$ —	\$ —	\$ —
Cost of securities sold	—	—	—	—
Net realized loss	—	—	—	—
Unrealized appreciation (depreciation) of investments:				
Beginning of period	(858,688)	(2,664,347)	(42,820,400)	(46,343,435)
End of period	(590,222)	(1,812,188)	(26,753,619)	(29,156,029)
Decrease in unrealized depreciation	268,466	852,159	16,066,781	17,187,406
<b>Net realized and unrealized gain on investments</b>	<b>\$ 268,466</b>	<b>\$ 852,159</b>	<b>\$ 16,066,781</b>	<b>\$ 17,187,406</b>

## Statement of Changes in Net Assets

Years Ended June 30, 1976 and 1975

	Segregated Investment Funds			
	General Assembly		Judges	
	1976	1975	1976	1975
Net assets, at beginning of period	\$8,422,022	\$7,309,383	\$26,310,923	\$20,776,168
Amount received for investment	190,000	155,000	2,700,000	2,700,000
Proceeds from units issued	—	—	—	—
Decrease in unrealized depreciation of investments	268,466	406,981	852,159	1,216,609
Net realized loss from sale of investments	—	—	—	(1,273)
Net realized and unrealized gain on investments	268,466	406,981	852,159	1,215,336
Net investment income	571,200	550,658	1,850,655	1,619,419
Less income distributed	—	—	—	—
Increase (decrease) in undistributed net income	—	—	—	—
Net assets, at end of period	\$9,451,688	\$8,422,022	\$31,713,737	\$26,310,923

See notes to financial statements, pages 25-26.

**Commingled Investment Funds**

<b>Illinois Bond Fund</b>	<b>Illinois Equity Fund</b>
\$ 28,959,606	\$ 1,050,145
—	—
—	5,475,858
—	—
<u>28,959,606</u>	<u>6,526,003</u>
90,761	260,739
<u>\$ 28,868,845</u>	<u>\$ 6,265,264</u>
<hr/>	
\$ 70,660,254	\$ 33,945,794
72,034,743	38,252,575
<u>(1,374,489)</u>	<u>(4,306,781)</u>
<hr/>	
(3,533,960)	(5,265,716)
4,207,727	9,224,308
<u>7,741,687</u>	<u>14,490,024</u>
<u>\$ 6,367,198</u>	<u>\$ 10,183,243</u>

**Commingled Investment Funds**

<b>State Employees'</b>		<b>Combined Funds</b>		<b>Illinois Bond Fund</b>		<b>Illinois Equity Fund</b>	
<b>1976</b>	<b>1975</b>	<b>1976</b>	<b>1975</b>	<b>1976</b>	<b>1975</b>	<b>1976</b>	<b>1975</b>
\$462,198,963	\$375,442,933	\$496,931,908	\$403,528,484	\$299,376,661	\$239,079,664	\$174,043,816	\$151,118,846
<u>36,500,000</u>	<u>36,500,000</u>	<u>39,390,000</u>	<u>39,355,000</u>	—	—	—	—
—	—	—	—	87,060,368	53,020,091	6,286,775	6,826,014
16,066,781	21,940,928	17,187,406	23,564,518	7,741,687	19,992,241	14,490,024	23,975,601
—	(30,928)	—	(32,201)	(1,374,489)	(12,967,247)	(4,306,781)	(7,801,822)
16,066,781	21,910,000	17,187,406	23,532,317	6,367,198	7,024,994	10,183,243	16,173,779
32,082,739	28,346,030	34,504,594	30,516,107	28,868,845	22,722,003	6,265,264	6,751,191
—	—	—	—	28,210,368	22,470,091	6,286,775	6,826,014
—	—	—	—	658,477	251,912	(21,511)	(74,823)
<u>\$546,848,483</u>	<u>\$462,198,963</u>	<u>\$588,013,908</u>	<u>\$496,931,908</u>	<u>\$393,462,704</u>	<u>\$299,376,661</u>	<u>\$190,492,323</u>	<u>\$174,043,816</u>

# Portfolio of Investments Illinois Bond Fund

June 30, 1976

Rating Moody's: S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Government Obligations (29.35%)*</b>							
<b>U.S. Treasury (21.47%)</b>							
\$ 29,400,000	U.S. Treasury Bond	8.500%	05/15/99	\$ 29,621,096.25	\$ 30,686,240	8.07%	
17,600,000	U.S. Treasury Bond	7.875	02/15/00	17,213,445.00	17,248,000	8.06	
6,000,000	U.S. Treasury Bond	8.250	05/15/05	5,995,532.50	6,167,999	8.06	
5,000,000	U.S. Treasury Note	8.500	09/30/79	5,004,400.75	5,178,125	7.24	
8,000,000	U.S. Treasury Note	7.375	05/15/81	7,960,000.25	7,955,000	7.51	
1,000,000	U.S. Treasury Note	7.750	11/15/81	987,812.50	1,006,250	7.60	
6,000,000	U.S. Treasury Note	8.125	08/15/82	5,981,200.00	6,138,750	7.64	
8,500,000	U.S. Treasury Note	7.875	11/15/82	8,599,687.50	8,585,000	7.67	
1,500,000	U.S. Treasury Note	7.875	05/15/86	1,500,000.00	1,504,687	7.83	
<u>83,000,000</u>	Total U.S. Treasury			<u>82,863,174.75</u>	<u>84,470,051</u>		
<b>Federal Agency (7.88%)</b>							
493,511	Government National Mtg. Assn.	7.500	07/15/05	461,355.67	465,111	8.01	
2,017,061	Government National Mtg. Assn.	7.250	10/15/05	1,873,345.40	1,860,137	7.94	
3,990,843	Government National Mtg. Assn.	7.250	11/15/05	3,706,495.48	3,681,097	7.93	
488,748	Government National Mtg. Assn.	7.500	11/15/05	456,903.01	460,403	8.02	
7,016,378	Government National Mtg. Assn.	7.500	12/15/05	6,605,853.75	6,607,201	8.02	
2,000,000	Government National Mtg. Assn.	7.500	02/15/06	1,869,687.50	1,883,039	8.02	
5,017,691	Government National Mtg. Assn.	7.500	03/15/06	4,691,541.69	4,724,546	8.02	
2,500,000	International Bank for R. & D.	8.000	01/01/80	2,498,437.50	2,506,250	7.91	
2,000,000	International Bank for R. & D.	8.600	07/15/85	2,003,000.00	2,043,996	8.25	
2,100,000	International Bank for R. & D.	8.850	12/15/85	2,100,000.00	2,147,120	8.50	
4,500,000	International Bank for R. & D.	9.350	12/15/00	4,500,000.00	4,614,076	9.09	
<u>32,124,232</u>	Total Federal Agency			<u>30,766,620.00</u>	<u>30,992,976</u>		
<u>115,124,232</u>	Total Government Obligations			<u>113,629,794.75</u>	<u>115,463,027</u>		
<b>Canadian Obligations (4.90%)</b>							
AA:AA	1,000,000	Brit. Col. Hydro & Power Auth.	10.250	10/01/99	1,000,000.00	1,056,189	9.64
AA:AA	2,500,000	Brit. Col. Hydro & Power Auth.	9.625	06/01/05	2,537,500.00	2,553,125	9.41
AAA:AA	5,500,000	Ontario Province Canada	9.250	11/15/05	5,573,750.00	5,568,750	9.13
AA:AA	3,500,000	Quebec Hydro Elec. Comm.	10.700	08/01/99	3,505,625.00	3,893,750	9.49
AA:AA	3,000,000	Quebec Hydro Elec. Comm.	10.250	01/15/05	3,018,750.00	3,161,728	9.69
AA:AA	1,000,000	Quebec Province Canada	9.875	05/15/00	1,011,250.00	1,027,500	9.58
AA:AA	2,000,000	Quebec Province Canada	9.500	06/15/01	2,000,000.00	2,030,000	9.34
<u>18,500,000</u>	Total Canadian Obligations			<u>18,646,875.00</u>	<u>19,291,042</u>		
<b>Corporate Bonds (62.43%)</b>							
<b>Public Utilities (30.89%)</b>							
<b>Communications (24.14%)</b>							
AAA:AAA	12,000,000	American Tel. & Tel.	8.625	02/01/07	11,946,875.00	12,123,257	8.53
AAA:AAA	3,000,000	Bell Tel. of Pennsylvania	8.000	08/01/09	2,756,130.00	2,850,555	8.45
AAA:AAA	2,000,000	Bell Tel. of Pennsylvania	7.500	05/01/13	1,803,400.00	1,789,896	8.43
AAA:AAA	5,000,000	Bell Tel. of Pennsylvania	9.625	07/15/14	5,040,750.00	5,306,721	9.05
AAA:AAA	1,000,000	Bell Tel. of Pennsylvania	8.750	07/15/15	995,000.00	1,019,067	8.58

\* Percentage of total portfolio at market value.

See notes to financial statements, pages 25-26.

Rating Moody's: S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Corporate Bonds</b>							
<b>Public Utilities</b>							
<b>Communications (continued)</b>							
AAA:AAA	\$ 3,250,000	Ches. & Potomac Tel., Md.	8.875%	06/01/09	\$ 3,279,375.00	\$ 3,265,595	8.83%
AA:AA	1,900,000	Hawaiian Tel.	8.500	04/01/06	1,878,625.00	1,805,882	8.98
AAA:AAA	3,500,000	Illinois Bell Tel.	8.000	12/10/04	3,066,810.00	3,349,357	8.40
AAA:AAA	2,000,000	Illinois Bell Tel.	7.625	04/01/06	1,966,760.00	1,835,475	8.38
AAA:AAA	4,400,000	Michigan Bell Tel.	7.000	11/01/12	3,880,878.50	3,640,360	8.55
AAA:AAA	500,000	Mountain States Tel. & Tel.	9.750	08/01/12	515,000.00	533,715	9.11
AAA:AAA	2,000,000	Mountain States Tel. & Tel.	7.750	06/01/13	2,000,000.00	1,805,071	8.63
AAA:AAA	4,000,000	New Jersey Bell Tel.	7.750	09/01/13	3,375,250.00	3,713,507	8.38
AAA:AAA	1,000,000	New York Tel.	7.500	03/01/09	1,013,400.00	885,150	8.55
AAA:AAA	6,500,000	New York Tel.	7.375	12/15/11	5,499,579.80	5,697,566	8.48
AAA:AAA	2,000,000	New York Tel.	8.300	08/15/12	1,887,890.00	1,948,710	8.53
AAA:AAA	2,500,000	New York Tel.	8.625	06/15/16	2,484,375.00	2,473,662	8.72
AAA:AAA	7,000,000	Northwestern Bell Tel.	8.625	06/15/12	6,590,625.00	7,050,541	8.56
AAA:AAA	4,500,000	Northwestern Bell Tel.	10.000	09/01/14	4,696,875.00	4,914,603	9.13
AAA:AAA	1,000,000	Pacific Northwest Bell Tel.	7.750	08/01/09	1,031,700.00	904,259	8.63
AAA:AAA	4,850,000	Pacific Northwest Bell Tel.	9.000	11/01/12	4,877,500.00	4,939,327	8.83
AAA:AA	2,000,000	Pacific Tel. & Tel.	9.100	10/15/84	2,085,000.00	2,082,421	8.40
AAA:AAA	1,500,000	South Central Bell Tel.	9.200	04/01/10	1,538,750.00	1,559,451	8.83
AAA:AAA	6,500,000	South Central Bell Tel.	10.000	09/15/14	6,770,867.50	7,098,942	9.13
AAA:AAA	8,000,000	Southern Bell Tel. & Tel.	8.250	04/15/16	7,930,000.00	7,746,854	8.53
AA:AA	1,000,000	Southern New England Tel.	7.750	06/01/04	1,026,700.00	896,160	8.75
AAA:AAA	1,500,000	Southwestern Bell Tel.	7.375	05/01/12	1,396,725.00	1,307,072	8.53
AAA:AAA	1,500,000	Southwestern Bell Tel.	8.250	03/01/14	1,472,500.00	1,436,690	8.63
AAA:AAA	1,000,000	Southwestern Bell Tel.	8.500	03/15/16	990,000.00	979,973	8.68
	<u>96,900,000</u>	Total Communications			<u>93,797,340.80</u>	<u>94,959,839</u>	
<b>Electric Utilities (6.75%)</b>							
AAA:AA	1,750,000	Commonwealth Edison	8.000	10/15/03	1,699,980.00	1,609,429	8.78
AAA:AA	500,000	Commonwealth Edison	9.375	05/15/04	490,000.00	520,092	8.98
AAA:AAA	1,000,000	Dallas Power & Light	7.625	09/01/02	1,042,500.00	894,406	8.65
A:A	1,500,000	Hawaiian Electric	11.250	12/01/04	1,500,000.00	1,677,338	9.99
AA:AA	4,000,000	Kentucky Utilities	9.250	06/01/06	4,051,250.00	4,053,058	9.12
AA:AA	500,000	Northern States Power	7.375	03/01/02	390,145.00	440,230	8.53
AA:AA	1,000,000	Public Service of Indiana	8.000	02/01/04	971,250.00	937,060	8.60
AA:AA	2,000,000	Public Service of Indiana	9.600	08/01/05	2,000,000.00	2,084,778	9.18
AA:AA	2,300,000	Southern California Edison	7.375	08/15/97	1,911,107.00	2,001,722	8.73
AA:AA	5,000,000	Southern California Edison	8.875	03/15/01	4,975,000.00	4,938,442	9.00
AA:AA	2,500,000	Southwestern Electric Power	9.625	08/01/05	2,476,875.00	2,573,472	9.33
AA:AA	3,000,000	Southwestern Electric Power	8.750	05/01/06	3,000,000.00	2,965,556	8.86
AA:AA	2,000,000	Wisconsin Public Service	8.125	09/01/03	1,860,860.00	1,871,066	8.75
	<u>27,050,000</u>	Total Electric Utilities			<u>26,368,967.00</u>	<u>26,566,649</u>	
	<u>123,950,000</u>	Total Public Utilities			<u>120,166,307.80</u>	<u>121,526,488</u>	

See notes to financial statements, pages 25-26.

# Portfolio of Investments Illinois Bond Fund

June 30, 1976

Rating Moody's: S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Corporate Bonds</b>							
Industrial (30.34%)							
AA:AA	\$ 2,500,000	Abbott Laboratories	9.200%	10/15/99	\$ 2,526,680.00	\$ 2,580,688	8.87%
A:A	2,000,000	Aluminum Co. of America	9.450	05/15/00	2,000,000.00	2,069,720	9.09
AA:AA	3,000,000	American Cyanamid	7.375	04/15/01	2,776,528.50	2,739,332	8.20
AA:AA	1,000,000	Anheuser-Busch	7.950	02/01/99	1,002,150.00	957,695	8.37
AA:AA	1,000,000	Anheuser-Busch	9.200	04/01/05	1,000,000.00	1,034,136	8.87
AA:AA	5,000,000	Caterpillar Tractor	8.750	11/01/99	5,027,500.00	5,039,766	8.67
BAA:BBB	1,250,000	Chrysler	8.000	11/01/98	1,242,329.54	975,000	10.59
AA:AA	2,500,000	Consolidated Foods	7.375	11/01/96	2,574,000.00	2,241,045	8.45
A:AA	1,250,000	Continental Can	8.850	05/15/04	1,250,000.00	1,251,286	8.84
AA:AA	5,000,000	Continental Oil	8.875	06/01/01	4,987,500.00	5,022,518	8.83
AA:AA	1,750,000	Corning Glass Works	7.750	11/15/98	1,624,892.50	1,611,411	8.55
AAA:AAA	5,500,000	Du Pont de Nemours	8.450	11/15/04	5,418,875.00	5,476,535	8.49
AAA:AAA	4,500,000	Exxon Pipeline	8.875	10/15/00	4,488,750.00	4,569,925	8.72
AAA:AAA	2,500,000	Exxon Pipeline	9.000	10/15/04	2,515,500.00	2,557,132	8.78
AA:AAA	2,500,000	Federated Dept. Stores	7.125	03/15/02	2,481,250.00	2,213,723	8.20
AAA:AAA	6,000,000	General Electric	7.500	03/15/96	5,524,530.00	5,648,493	8.10
AAA:AAA	3,500,000	General Electric	8.500	05/01/04	3,470,250.00	3,518,639	8.45
AAA:AAA	2,000,000	General Motors Co.	8.625	04/01/05	1,990,000.00	2,024,565	8.51
A:A	1,000,000	McDermott (J. Ray)	9.700	12/01/99	1,015,000.00	1,038,870	9.29
AAA:AAA	7,500,000	Minnesota Mining & Mfg.	8.850	04/01/05	7,553,840.00	7,830,551	8.44
AAA:AAA	4,000,000	Mobil Alaska Pipeline	8.450	03/01/05	3,828,350.00	3,932,298	8.61
AA:AA	2,000,000	Nabisco	7.750	05/01/01	1,877,820.00	1,834,349	8.56
A:A	500,000	Owens-Illinois	9.350	11/01/99	500,000.00	514,967	9.04
A:AA	1,000,000	Penney (J.C.)	9.000	06/15/99	1,000,000.00	1,005,810	8.94
AA:AA	1,500,000	Pfizer	8.500	04/15/99	1,434,700.00	1,488,075	8.58
A:A	2,000,000	Philip Morris	8.875	06/01/04	1,987,500.00	2,003,084	8.86
A:A	300,000	Pitney Bowes	9.000	10/15/95	331,020.00	294,892	9.19
AAA:AAA	3,000,000	Procter & Gamble	7.000	05/15/02	2,687,100.00	2,674,266	8.00
AAA:AAA	6,000,000	Procter & Gamble	8.250	03/01/05	5,917,687.50	5,954,394	8.32
A:A	2,500,000	Quaker Oats	7.700	06/15/01	2,296,225.00	2,270,361	8.60
AA:AA	1,750,000	Reynolds (R.J.) Tobacco	7.875	09/01/94	1,611,105.00	1,693,523	8.22
AA:AA	2,000,000	Richardson-Merrell	8.850	12/15/99	2,000,000.00	2,015,807	8.77
AAA:AAA	2,950,000	Sears Roebuck	8.000	04/01/06	2,942,625.00	2,840,312	8.34
AAA:AAA	3,000,000	Shell Oil	8.750	05/15/05	2,977,500.00	3,018,934	8.69
A:AA	3,000,000	Sohio/BP Trans. Alaska Pipeline	9.750	12/01/99	3,040,000.00	3,116,161	9.34
AAA:AAA	3,000,000	Standard Oil (Indiana)	8.375	06/15/05	2,970,000.00	2,931,486	8.59
A:AA	1,500,000	Standard Oil of Ohio	8.500	01/01/00	1,397,775.00	1,449,850	8.84
AAA:AAA	3,250,000	Texaco	8.875	05/01/05	3,267,645.00	3,292,497	8.75
AA:AA	3,000,000	Union Carbide	8.500	01/15/05	3,000,000.00	2,987,239	8.54
AA:AA	3,500,000	U.S. Gypsum	7.875	01/01/04	3,196,123.00	3,240,944	8.58
AAA:AAA	4,250,000	Warner Lambert	8.875	04/01/00	4,228,750.00	4,380,643	8.57

See notes to financial statements, pages 25-26.

Rating Moody's: S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Corporate Bonds</b>							
<b>Industrial (continued)</b>							
AA:AA	\$ 2,500,000	Weyerhaeuser	8.900%	11/15/04	\$ 2,510,965.00	\$ 2,541,724	8.74%
A:A	750,000	Woolworth (F.W.)	9.000	06/01/99	744,375.00	732,973	9.24
AA:AA	2,750,000	Xerox	8.625	11/01/99	2,748,750.00	2,748,628	8.63
	<u>121,250,000</u>	Total Industrial			<u>118,965,591.04</u>	<u>119,364,247</u>	
<b>Finance (1.20%)</b>							
AA:A	1,300,000	Ford Motor Credit	10.500	10/01/94	1,384,500.00	1,412,884	9.49
AA:A	2,000,000	Ford Motor Credit	8.700	04/01/99	1,884,680.00	1,944,207	8.99
AAA:AA	1,500,000	General Motors Acceptance	7.850	11/01/98	1,500,000.00	1,383,581	8.64
	<u>4,800,000</u>	Total Finance			<u>4,769,180.00</u>	<u>4,740,672</u>	
	<u>250,000,000</u>	Total Corporate Bonds			<u>243,901,078.84</u>	<u>245,631,407</u>	
<b>U.S. Treasury Bills (0.52%)</b>							
	<u>2,045,000</u>	U.S. Treasury Bills			<u>2,036,466.67</u>	<u>2,036,467</u>	<u>5.18</u>
<b>Corporate Short-Term Notes (1.04%)</b>							
	11,000	Abbott Laboratories			11,000.00	11,000	5.92
	2,469,000	General Motor Acceptance			2,469,000.00	2,469,000	5.90
	1,610,000	Illinois Bell Tel.			1,610,000.00	1,610,000	5.92
	<u>4,090,000</u>	Total Corporate Short-Term Notes			<u>4,090,000.00</u>	<u>4,090,000</u>	
<b>Cash, Receivables less Payables (1.76%)</b>							
					<u>6,950,761.38</u>	<u>6,950,761</u>	
<b>Net Assets</b>							
					<u>\$389,254,976.64</u>	<u>\$393,462,704</u>	

See notes to financial statements, pages 25-26.

# Portfolio of Investments Illinois Equity Fund

June 30, 1976

Shares		Cost	Market Value	Indicated Yield
<b>Common Stocks (94.5%)*</b>				
Automotive & Related (4.9%)				
14,000	Bendix	\$ 510,118.57	\$ 605,500	3.98%
30,000	Borg Warner	975,593.75	825,000	4.91
18,000	Ford Motor	1,236,807.35	1,053,000	4.10
61,000	General Motors	3,606,476.20	4,178,500	4.23
10,000	Goodyear Tire & Rubber	203,872.00	230,000	4.78
26,000	Gould	879,550.62	958,750	3.69
40,000	TRW	1,279,338.88	1,510,000	3.71
<b>199,000</b>		<b>8,691,757.37</b>	<b>9,360,750</b>	
Banking & Financial (2.8%)				
19,000	BankAmerica	808,093.75	1,068,750	2.77
54,700	Citicorp	1,936,455.84	1,976,038	2.66
46,000	Federal National Mtg. Assn.	1,057,946.28	661,250	6.12
6,700	Morgan (J.P.)	304,287.24	420,425	2.87
15,000	Northwest Bancorp.	573,514.44	798,750	3.19
18,000	Western Bancorp.	666,669.25	427,500	5.89
<b>159,400</b>		<b>5,346,966.80</b>	<b>5,352,713</b>	
Chemicals (5.0%)				
14,160	Air Products & Chemicals	998,398.50	1,083,240	0.52
15,422	Big Three Industries	421,154.31	1,064,118	1.16
27,000	Diamond Shamrock	1,857,896.50	2,126,250	2.29
46,000	Dow Chemical	1,704,862.35	2,219,500	2.07
6,000	Du Pont de Nemours	1,065,937.50	837,000	3.58
16,000	Monsanto	1,112,629.36	1,492,000	3.00
12,000	Union Carbide	628,447.87	811,500	3.70
<b>136,582</b>		<b>7,789,326.39</b>	<b>9,633,608</b>	
Cosmetics (0.9%)				
<b>35,000</b>	Avon Products	<b>1,884,967.74</b>	<b>1,653,750</b>	<b>3.81</b>
Drugs & Health Care (7.2%)				
59,500	American Home Products	2,172,394.45	2,037,875	2.92
5,000	American Hospital Supply	175,935.39	171,250	1.17
65,000	Baxter Travenol Laboratories	2,455,831.88	2,510,625	0.54
30,000	Johnson & Johnson	2,873,838.89	2,520,000	1.31
10,000	Lilly (Eli)	502,334.12	528,750	2.27
25,500	Merck	1,678,760.70	1,836,000	1.94
42,500	Richardson-Merrell	1,162,687.81	1,009,375	2.69
23,500	Schering-Plough	1,093,130.70	1,263,125	1.64
60,000	Sterling Drug	1,251,440.95	1,042,500	4.03
24,000	Warner-Lambert	880,491.07	786,000	3.05
<b>345,000</b>		<b>14,246,845.96</b>	<b>13,705,500</b>	

\* Percentage of total portfolio at market value.

See notes to financial statements, pages 25-26.

Shares		Cost	Market Value	Indicated Yield
<b>Common Stocks</b>				
Electrical & Electronics (5.4%)				
12,100	AMP	\$ 341,220.00	\$ 402,325	1.23%
4,250	Corning Glass Works	402,807.27	318,750	1.87
48,000	General Electric	2,769,559.78	2,742,000	2.80
4,500	Hewlett-Packard	470,687.50	516,375	0.26
22,000	International Tel. & Tel.	1,180,824.47	624,250	5.64
15,000	Raytheon	706,690.00	896,250	2.01
45,000	Reliance Electric	814,717.17	1,507,500	2.99
50,000	Sunbeam	1,172,815.25	1,181,250	4.23
16,500	Texas Instruments	1,587,082.42	2,095,500	0.79
<u>217,350</u>		<u>9,446,403.86</u>	<u>10,284,200</u>	
Foods, Soap & Tobacco (6.0%)				
17,000	Campbell Soup	576,714.40	529,125	4.37
6,000	Coca-Cola	602,534.93	504,750	3.15
62,000	Colgate-Palmolive	1,637,786.38	1,658,500	2.84
16,700	General Mills	459,170.00	526,050	2.41
22,500	Kraftco	912,496.96	981,562	4.86
10,000	PepsiCo	774,626.85	745,000	2.68
75,000	Philip Morris	3,789,067.99	3,843,750	1.95
14,000	Procter & Gamble	1,252,379.50	1,328,250	2.32
26,600	Ralston Purina	1,053,927.41	1,373,225	1.94
<u>249,800</u>		<u>11,058,704.42</u>	<u>11,490,212</u>	
Forest Products & Paper (3.4%)				
75,000	Champion International	1,814,687.50	1,903,125	3.94
22,420	Georgia-Pacific	834,509.21	1,154,630	2.33
33,000	International Paper	1,749,229.93	2,409,000	2.74
20,000	Kimberly-Clark	700,185.25	852,500	4.22
1,000	Union Camp	58,088.42	63,750	2.51
<u>151,420</u>		<u>5,156,700.31</u>	<u>6,383,005</u>	
Insurance-Life (2.0%)				
25,000	Franklin Life	520,625.00	525,000	4.38
17,200	Lincoln National	577,343.68	490,200	5.61
60,000	NLT	1,441,409.13	1,177,500	3.26
54,000	Southwestern Life	1,509,187.50	1,572,750	3.43
<u>156,200</u>		<u>4,048,565.31</u>	<u>3,765,450</u>	
Insurance Multi-Line (3.0%)				
22,000	Aetna Life & Casualty	617,871.73	610,500	3.89
12,000	Connecticut General	457,679.17	597,000	2.09
23,000	Marsh & McLennan	904,805.90	1,328,250	3.46
47,000	Ohio Casualty	2,091,000.00	1,997,500	3.48
30,000	U.S. Fidelity & Guaranty	1,153,387.50	1,166,250	6.38
<u>134,000</u>		<u>5,224,744.30</u>	<u>5,699,500</u>	

See notes to financial statements, pages 25-26.

# Portfolio of Investments Illinois Equity Fund

June 30, 1976

Shares		Cost	Market Value	Indicated Yield
<b>Common Stocks</b>				
Leisure Time & Entertainment (2.9%)				
14,000	CBS	\$ 695,773.00	\$ 822,500	2.83%
24,794	Disney (Walt) Productions	1,469,077.11	1,403,960	0.21
23,600	Eastman Kodak	2,079,028.11	2,362,950	2.06
45,500	McGraw-Hill	696,351.49	682,500	4.27
5,000	Polaroid	409,836.02	203,125	0.79
<u>112,894</u>		<u>5,350,065.73</u>	<u>5,475,035</u>	
Machinery (2.6%)				
26,000	Caterpillar Tractor	1,750,704.24	2,369,250	2.47
8,000	Deere & Co.	350,789.20	556,000	2.88
20,000	Gardner-Denver	497,808.10	550,000	2.76
17,000	Ingersoll-Rand	1,305,170.00	1,555,500	2.93
<u>71,000</u>		<u>3,904,471.54</u>	<u>5,030,750</u>	
Metals & Mining (3.0%)				
12,500	Aluminum Co. of America	551,090.14	706,250	2.37
15,000	Newmont Mining	467,136.21	446,250	5.38
15,000	Signode	506,377.81	577,500	2.60
52,500	U.S. Steel	2,418,066.00	2,848,125	4.06
18,000	Utah International	622,098.26	1,100,250	1.64
<u>113,000</u>		<u>4,564,768.42</u>	<u>5,678,375</u>	
Miscellaneous (0.8%)				
50,000	Amfac	1,206,400.00	812,500	6.15
27,500	GATX	1,086,755.46	756,250	6.55
<u>77,500</u>		<u>2,293,155.46</u>	<u>1,568,750</u>	
Office Equipment (9.9%)				
42,500	Burroughs	3,757,156.12	4,420,000	0.65
35,450	International Business Machines	8,834,540.16	9,810,787	2.53
30,000	Minnesota Mining & Mfg.	1,548,096.37	1,668,750	2.61
46,500	Xerox	4,219,385.84	2,865,563	1.62
<u>154,450</u>		<u>18,359,178.49</u>	<u>18,765,100</u>	
Oil (15.8%)				
36,000	Atlantic Richfield	3,031,533.72	3,762,000	2.39
78,000	Continental Oil	1,854,809.33	2,993,250	3.13
79,108	Exxon	6,437,704.14	8,276,674	5.35
20,000	Gulf Oil	467,570.50	562,500	6.04
37,000	Kerr-McGee	2,632,738.62	3,001,625	1.54
25,000	Louisiana Land & Exploration	953,198.26	718,750	4.17
26,000	Mobil	1,323,451.28	1,556,750	5.68
25,000	Pennzoil	543,368.77	862,500	3.83
15,000	Shell Oil	703,798.98	986,250	4.26
30,000	Standard Oil of California	853,948.71	1,140,000	5.79
107,000	Standard Oil (Indiana)	4,789,769.28	5,403,500	4.55
32,500	Texaco	997,794.58	914,063	7.11
<u>510,608</u>		<u>24,589,686.17</u>	<u>30,177,862</u>	

See notes to financial statements, pages 25-26.

Shares		Cost	Market Value	Indicated Yield
<b>Common Stocks</b>				
<b>Oil Service &amp; Related (2.5%)</b>				
20,000	Baker International	\$ 1,001,765.42	\$ 965,000	0.95%
39,000	Halliburton	1,874,516.81	2,481,375	0.88
18,000	McDermott (J. Ray)	889,386.00	864,000	2.08
12,000	Santa Fe International	446,394.22	417,000	0.86
<u>89,000</u>		<u>4,212,062.45</u>	<u>4,727,375</u>	
<b>Retailing—General Mdse. (3.3%)</b>				
20,000	Carter Hawley Hale Stores	431,195.00	392,500	4.59
40,000	Federated Department Stores	1,812,032.73	1,905,000	2.86
40,000	Marshall Field	837,529.17	760,000	6.53
50,000	Sears Roebuck	4,338,211.50	3,237,500	2.47
<u>150,000</u>		<u>7,418,968.40</u>	<u>6,295,000</u>	
<b>Retailing—Specialty (3.8%)</b>				
12,050	ARA Services	625,649.45	641,662	1.99
30,000	Eckerd (Jack)	849,583.46	705,000	1.53
75,000	Hart, Schaffner & Marx	1,802,332.63	928,125	4.85
51,006	Kresge (S.S.)	1,681,331.95	1,810,713	0.90
26,000	Longs Drug Stores	993,820.00	871,000	1.43
55,000	Melville	1,366,705.63	1,196,250	2.21
30,000	Standard Brands Paint	1,388,485.00	1,110,000	1.08
<u>279,056</u>		<u>8,707,908.12</u>	<u>7,262,750</u>	
<b>Shelter &amp; Real Estate (0.6%)</b>				
29,000	Kaufman & Broad	881,907.04	261,000	1.78
20,000	Skyline	550,456.06	390,000	1.23
15,000	Walter (Jim)	321,711.25	480,000	3.75
<u>64,000</u>		<u>1,754,074.35</u>	<u>1,131,000</u>	
<b>Transportation (0.4%)</b>				
<u>15,000</u>	Delta Air Lines	<u>509,125.87</u>	<u>667,500</u>	<u>1.35</u>
<b>Utilities—Electric (5.4%)</b>				
95,000	Allegheny Power System	1,701,675.00	1,686,250	9.01
45,000	Carolina Power & Light	876,700.00	950,625	8.14
85,000	Central & South West	1,605,085.58	1,232,500	8.28
42,000	Commonwealth Edison	1,243,811.05	1,176,000	8.57
26,500	Florida Power & Light	853,468.46	632,688	6.53
85,000	Gulf States Utilities	1,668,221.30	1,115,625	8.53
35,000	Illinois Power	573,079.89	875,000	8.80
55,000	Tampa Electric	729,760.22	928,125	6.64
88,600	Texas Utilities	1,910,016.07	1,683,400	6.95
<u>557,100</u>		<u>11,161,817.57</u>	<u>10,280,213</u>	

See notes to financial statements, pages 25-26.

# Portfolio of Investments Illinois Equity Fund

June 30, 1976

Shares or Par Value		Cost	Market Value	Indicated Yield
<b>Common Stocks</b>				
Utilities—Gas (0.3%)				
8,000	Southern Natural Resources	\$ 488,044.00	\$ 448,000	2.95%
5,000	Texas Gas Transmission	182,109.95	190,000	5.26
<b>13,000</b>		<b>670,153.95</b>	<b>638,000</b>	
Utilities—Telephone (2.6%)				
74,100	American Tel. & Tel.	3,606,374.55	4,186,650	6.73
27,000	General Telephone & Electronics	657,321.94	698,625	6.96
<b>101,100</b>		<b>4,263,696.49</b>	<b>4,885,275</b>	
<b>4,091,460</b>	<b>Total Common Stocks</b>	<b>170,654,115.47</b>	<b>179,911,673</b>	
Convertible Securities (0.1%)				
Reynolds (R. J.) Industries				
3,000	\$2.25 convertible preferred stock	219,249.17	186,000	3.63
U.S. Treasury Bills (0.4%)				
<b>\$ 825,000</b>	<b>U.S. Treasury Bills</b>	<b>821,813.44</b>	<b>821,814</b>	<b>5.15</b>
Corporate Short-Term Notes (5.0%)				
\$ 33,000	Abbott Laboratories	33,000.00	33,000	5.92
2,771,000	Ford Motor Credit	2,767,132.99	2,767,133	5.72
4,943,000	General Motor Acceptance	4,943,000.00	4,943,000	5.79
35,000	Illinois Bell Tel.	35,000.00	35,000	5.92
1,704,000	Sears Roebuck Acceptance	1,704,000.00	1,704,000	5.77
<b>\$ 9,486,000</b>		<b>9,482,132.99</b>	<b>9,482,133</b>	
Cash, Receivables less Payables (0.0%)				
		<b>90,703.66</b>	<b>90,703</b>	
<b>Net Assets</b>				
		<b>\$181,268,014.73</b>	<b>\$190,492,323</b>	

See notes to financial statements, pages 25-26.

# Portfolio of Investments Segregated Investment Funds

June 30, 1976

Par Value or Units		Cost	Market Value	Indicated Yield
<b>General Assembly</b>				
627,851	Illinois Bond Fund Units	\$ 6,078,936.38	\$ 5,671,167	8.14%
297,901	Illinois Equity Fund Units	3,514,574.91	3,332,122	3.35
	Corporate Short-Term Notes			
\$ 1,000	Ford Motor Credit	1,000.00	1,000	5.96
442,000	General Motor Acceptance	442,000.00	442,000	5.92
3,000	Illinois Bell Tel.	3,000.00	3,000	5.92
\$ 446,000		446,000.00	446,000	
	Cash, Receivables less Payables	2,398.98	2,399	
	<b>Net Assets</b>	<b>\$ 10,041,910.27</b>	<b>\$ 9,451,688</b>	
<b>Judges</b>				
2,421,342	Illinois Bond Fund Units	\$ 22,873,502.41	\$ 21,871,177	8.14%
855,730	Illinois Equity Fund Units	10,381,497.21	9,571,635	3.35
	Corporate Short-Term Notes			
\$ 269,000	General Motors Acceptance	269,000.00	269,000	5.72
	Cash, Receivables less Payables	1,925.18	1,925	
	<b>Net Assets</b>	<b>\$ 33,525,924.80</b>	<b>\$ 31,713,737</b>	
<b>State Employees'</b>				
40,512,681	Illinois Bond Fund Units	\$384,746,912.65	\$365,920,360	8.14%
15,876,900	Illinois Equity Fund Units	185,515,632.98	177,588,566	3.35
	Corporate Short-Term Notes			
\$ 4,000	Ford Motor Credit	4,000.00	4,000	5.96
2,309,000	General Motors Acceptance	2,309,000.00	2,309,000	5.34
12,000	Illinois Bell Tel.	12,000.00	12,000	5.92
1,000,000	Sears Roebuck Acceptance	1,000,000.00	1,000,000	5.40
\$3,325,000		3,325,000.00	3,325,000	
	Cash, Receivables less Payables	14,556.78	14,557	
	<b>Net Assets</b>	<b>\$573,602,102.41</b>	<b>\$546,848,483</b>	

See notes to financial statements, pages 25-26.

# Management Fund Statement of Assets and Liabilities

	June 30, 1976
Cash on deposit with State Treasurer	\$ 17,880
Receivable from Investment Funds for operating expenses (Note 3)	58,207
Total assets	<u>\$ 76,087</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 65,087
Advance from Investment Funds	11,000
Total liabilities	<u>\$ 76,087</u>

## Management Fund Operating Expenses

	Years Ended June 30,	
	1976	1975
Equity advisors' fees	\$230,165	\$230,389
Bond advisors' fees	48,303	178,671
Bank custodial fees	<u>74,766</u>	<u>78,072</u>
Administrative expenses:		
Investment salaries and benefits	121,148	67,005
Accounting salaries and benefits	77,190	60,095
Administrative salaries and benefits	55,333	53,191
Rent	21,634	16,268
Telephone	9,479	5,330
Printing	8,391	14,516
Travel	4,419	4,474
Subscriptions	2,145	2,581
Legal	1,969	5,125
Insurance	1,925	2,617
Supplies	1,793	1,795
EDP computer terminal	1,709	—
Personnel recruitment	998	3,922
Postage	990	1,504
Consulting services	—	17,286
Other	1,326	1,915
Total administrative expenses	<u>310,449</u>	<u>257,624</u>
Amortization of deferred organization costs (Note 5)	—	8,353
Depreciation (Note 7)	<u>18,828</u>	<u>1,068</u>
Total operating expenses	<u>\$682,511</u>	<u>\$754,177</u>
Allocation of expenses (Note 3):		
General Assembly Investment Fund	\$ 5,803	\$ 5,168
Judges Investment Fund	17,749	14,679
State Employees' Investment Fund	307,459	250,271
Illinois Bond Fund	90,761	229,660
Illinois Equity Fund	260,739	254,399
Total allocation of expenses	<u>\$682,511</u>	<u>\$754,177</u>

See notes to financial statements, pages 25-26.

# Notes to Financial Statements

Year Ended June 30, 1976

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## 1. Valuation of Investments:

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Investments owned at June 30, 1976, are included in the financial statements at market value, determined as follows: (1) U. S. Government obligations, Canadian obligations, and Corporate bonds—prices quoted by a major dealer in such securities; (2) Common and preferred stocks: (a) Listed—closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter—bid prices; (3) Illinois Equity Fund and Illinois Bond Fund—net asset value of Fund.

The cost of U. S. Government obligations and corporate bonds is average cost. Cost shown for common and preferred stocks is average cost. Aggregate cost of outstanding units of the Illinois Equity Fund is principal invested plus net income reinvested. Aggregate cost of outstanding units of the Illinois Bond Fund is transfer value of securities exchanged for units on April 1, 1972 plus additional principal invested and net income reinvested.

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## 2. Illinois Equity Fund and Illinois Bond Fund:

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The Board established the Illinois Equity Fund on July 17, 1970, and the Illinois Bond Fund on April 1, 1972, for the purpose of making commingled investments for the Segregated Funds. Units of the Commingled Funds are issued to the Segregated Funds on the first business day of each month, based on the unit net asset value calculated

as of the last business day of the preceding month. Units are redeemable on the same basis. Net income of the Commingled Funds is allocated to the Segregated Funds on the basis of percentages of accumulated units owned by each Segregated Fund.

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## 3. Management Fund:

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The Management Fund was created to pay the operating expenses of the Illinois Equity Fund, the Illinois Bond Fund, and the Segregated Funds. All investment advisors' fees and bank custodial fees are charged

quarterly to the respective Illinois Equity Fund or Illinois Bond Fund. All other operating expenses are allocated quarterly to the Segregated Funds, in proportion to each fund's net asset value at the beginning of the quarter.

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## 4. Calculation of Yields:

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Yields to maturity and indicated yields are based upon the market value at June 30, 1976.

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## 5. Deferred Organization Costs and Liability to General Revenue Fund of the State of Illinois:

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Article 22A of the Illinois Pension Code, which established the Illinois State Board of Investment, appropriated \$50,000 to July 1, 1970, for the purpose of carrying out the provisions of the Article. The amount of \$30,990 expended from this appropriation to June 30, 1970, is repayable to the General Revenue Fund of the State of

Illinois by the Illinois State Board of Investment, Management Fund, by July 1, 1976, from investment income of the Board.

Deferred organization costs were amortized on the straight-line method over a period of five years beginning July 1, 1970. The final payment was made in July, 1975.

# Notes to Financial Statements

Year Ended June 30, 1976

## 6. Net Assets of Segregated Investment Funds:

The source of net assets of the Segregated Investment Funds at June 30, 1976 is as follows:

	General Assembly	Judges	State Employees'	Combined Funds
Amounts received for investment	\$7,641,520	\$26,456,788	\$466,117,966	\$500,216,274
Unrealized depreciation of investments	(590,222)	(1,812,188)	(26,753,619)	(29,156,029)
Accumulated net realized loss on sale of investments	(331,088)	(415,350)	(26,587,833)	(27,334,271)
Accumulated net income	2,731,478	7,484,487	134,071,969	144,287,934
	<u>\$9,451,688</u>	<u>\$31,713,737</u>	<u>\$546,848,483</u>	<u>\$588,013,908</u>

The Illinois Bond Fund and the Illinois Equity Fund have not distributed realized gains or losses to the Segregated Funds. Thus, unrealized depreciation of the Segregated Funds consists of realized losses of the Illinois Bond and Illinois Equity Funds plus undistributed income and unrealized appreciation of these Commingled Funds as follows:

	Illinois Bond Fund	Illinois Equity Fund	Total
Unrealized appreciation of investments	\$ 4,207,727	\$ 9,224,308	\$ 13,432,035
Undistributed net realized loss on sale of investments	(27,103,121)	(18,406,383)	(45,509,504)
Undistributed net income	2,658,747	262,693	2,921,440
	<u>\$(20,236,647)</u>	<u>\$(8,919,382)</u>	<u>\$(29,156,029)</u>

## 7. Depreciation:

In 1976 the Board wrote-off the balance of furniture and equipment. Depreciation for the year is comprised of the write-off of \$16,600 and \$2,200 of annual expense. All future purchases of furniture and equipment will be charged to expense in the period acquired. This policy,

which was adopted to conform with practices followed by most agencies of the State of Illinois, is not expected to significantly affect the financial position or results of operation of the Board.

## 8. State Employees Deferred Compensation:

The General Assembly (House Bill #2673) requested the Illinois State Board of Investment to develop and establish the State Employees Deferred Compensation Plan. On July 14, 1975, the Governor signed Senate Bill #304 which provided \$61,100 as development funds. Of

this amount \$20,803 was spent during fiscal 1976. An additional \$28,150 was appropriated for fiscal 1977.

These items are not included in the financial statements.

# Accountants' Report

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## Illinois State Board of Investment and Auditor General State of Illinois

We have examined the statements of assets and liabilities including the portfolios of investments as of June 30, 1976 and the related statements of operations for the year then ended, the statements of changes in net assets and operating expenses for the two years then ended of the Illinois State Board of Investment as set forth below:

	Page
<b>Illinois Equity Fund</b>	
Statement of Assets and Liabilities	10-11
Statement of Operations	12-13
Statement of Changes in Net Assets	12-13
Portfolio of Investments	18-22
 <b>Illinois Bond Fund</b>	
Statement of Assets and Liabilities	10-11
Statement of Operations	12-13
Statement of Changes in Net Assets	12-13
Portfolio of Investments	14-17
 <b>State Employees' Investment Fund</b>	
Statement of Assets and Liabilities	10-11
Statement of Operations	12-13
Statement of Changes in Net Assets	12-13
Portfolio of Investments	23
 <b>General Assembly Investment Fund</b>	
Statement of Assets and Liabilities	10-11
Statement of Operations	12-13
Statement of Changes in Net Assets	12-13
Portfolio of Investments	23
 <b>Judges Investment Fund</b>	
Statement of Assets and Liabilities	10-11
Statement of Operations	12-13
Statement of Changes in Net Assets	12-13
Portfolio of Investments	23
 <b>Management Fund</b>	
Statement of Assets and Liabilities	24
Operating Expenses	24

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Investments owned at June 30, 1976, which were held by the custodian, were counted by us. Securities purchased but not received by the custodian were confirmed to us by brokers.

In our opinion, the aforementioned financial statements present fairly the net assets of the Illinois State Board of Investment at June 30, 1976, the results of its operations for the year then ended and the changes in net assets for the two years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

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**TOUCHE ROSS & CO.**

Chicago, Illinois  
August 23, 1976



*Illinois State Board of Investment*

ANNUAL REPORT

1976

FINANCIAL SUPPLEMENT



FINANCIAL SUPPLEMENT  
YEAR ENDED JUNE 30, 1976

<u>CONTENTS</u>	<u>PAGE</u>
Investment Transactions	
Illinois Bond Fund	1
Illinois Equity Fund	6
General Assembly Investment Fund	14
Judges Investment Fund	14
State Employees' Investment Fund	14
Brokers and Dealers Used	
Transactions Executed Involving Commissions	15
Transactions Executed on a Net Basis, Commissions Not Separately Stated	16



## AGGREGATE TRANSACTION JOURNAL

(1)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS BOND FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
<b>BONDS:</b>					
<b>=====</b>					
<b>PURCHASES:</b>					
AMERICAN TEL & TEL 8.625 DUE 02-01-2007	12000	99.557	11,946,875.00		8.658
AMERICAN TEL & TEL 7.125 DUE 12-01-2003	2300	84.671	1,947,433.00		8.409
RELL TEL CO PA 8.75 DUE 07-15-2015	1000	99.500	995,000.00		8.793
BRITISH COL HYDRO EL 9.625 DUE 06-01-2005	2500	101.500	2,537,500.00		9.477
CHESAPEAKE POT TEL 8.875 DUE 06-01-2009	3250	100.903	3,279,375.00		8.790
COMM EDISON 1ST MTGE 9.375 DUE 05-15-2004	500	98.000	490,000.00		9.561
CONTINENTAL OIL CO 8.875 DUE 06-01-2001	5000	99.750	4,987,500.00		8.892
DU PONT DE NEMOURS 8.45 DUE 11-15-2004	500	96.275	481,375.00		8.776
EXXON PIPELINE CO 8.875 DUE 10-15-2000	4500	99.750	4,488,750.00		8.892
FORD MOTOR CR 10.5 DUE 10-01-94	1300	106.500	1,384,500.00		9.859
GNMA POOL 10010 7.5 DUE 03-15-2006	1000	93.484	934,843.75		8.022
GNMA POOL 10625 7.5 DUE 03-15-2006	3017	93.500	2,821,541.69		8.021
GNMA POOL 10632 7.5 DUE 03-15-2006	2000	93.500	1,870,000.00		8.021
GNMA POOL 6349 7.5 DUE 03-15-2006	493	93.484	461,355.67		8.022
GNMA POOL 8363 7.25 DUE 10-15-2005	2023	92.875	1,879,262.51		7.806
GNMA POOL 8590 7.25 DUE 11-15-2005	1500	92.875	1,393,125.00		7.806
GNMA POOL 8591 7.25 DUE 11-15-2005	2500	92.875	2,322,117.52		7.806
GNMA POOL 9042 7.5 DUE 03-15-2006	1023	93.484	956,681.70		8.022
GNMA POOL 9048 7.50 DUE 12-15-2005	2002	94.125	1,884,741.72		7.968
GNMA POOL 9062 7.50 DUE 12-15-2005	1010	94.125	951,342.65		7.968
GNMA POOL 9063 7.50 DUE 12-15-2005	3000	94.400	2,832,000.00		7.944
GNMA POOL 9426 7.5 DUE 03-15-2006	488	93.484	456,903.01		8.022
GNMA POOL 9994 7.5 DUE 03-15-2006	1000	93.484	934,843.75		8.022
HAWAIIAN TEL LST MTG 8.5 DUE 04-01-2006	1900	98.875	1,878,625.00		8.596

## AGGREGATE TRANSACTION JOURNAL

(2)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS BOND FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
ILLINOIS BELL TEL 8.0 DUE 12-10-2004	1500	88.490	1,327,360.00		9.040
INTL BANK RECON BOND 9.35 DUE 12-15-2000	4500	100.000	4,500,000.00		9.350
INTL BANK RECON NOTE 8.0 DUE 01-01-80	2500	99.937	2,498,437.50		8.005
INTL BANK RECON NOTE 8.60 DUE 07-15-85	2000	100.150	2,003,000.00		8.587
INTL BANK RECON NOTE 8.85 DUE 12-15-85	2100	100.000	2,100,000.00		8.850
KENTUCKY UTILITIES 9.25 DUE 06-01-2006	4000	101.281	4,051,250.00		9.132
NEW JERSEY PELL TEL 7.75 DUE 09-01-2013	2000	88.942	1,778,850.00		8.713
NEW YORK TEL CO 8.625 DUE 06-15-2016	2500	99.375	2,484,375.00		8.674
NORTHWEST BELL TEL 8.625 DUE 06-15-2012	7000	94.151	6,590,625.00		9.155
NORTHWESTERN BELL TEL 10.0 DUE 09-01-2014	3000	106.500	3,195,000.00		9.389
PAC NO WEST BELL TEL 9.0 DUE 11-01-2012	4850	100.567	4,877,500.00		8.949
PACIFIC TEL & TEL 9.10 DUE 10-15-84	2000	104.250	2,085,000.00		8.729
PROCTOR & GAMBLE 8.25 DUE 03-01-2005	1500	97.137	1,457,062.50		8.493
PROVINCE OF ONTARIO 9.25 DUE 11-15-2005	5500	101.340	5,573,750.00		9.127
PROVINCE OF QUEREC 9.5 DUE 06-15-2001	2000	100.000	2,000,000.00		9.500
PUBLIC SERV CO IND 9.60 DUE 08-01-2005	2000	100.000	2,000,000.00		9.600
QUEREC HYDRC ELECTRC 10.25 DUE 01-15-2005	500	103.750	518,750.00		9.879
SEARS ROEBUCK 8.0 DUE 04-01-2006	2950	99.750	2,942,625.00		8.020
SO WESTERN PELL TEL 7.625 DUE 10-01-2013	2000	88.323	1,766,460.00		8.627
SO WESTERN PELL TEL 8.5 DUE 03-15-2016	1000	99.000	990,000.00		8.585
SO WESTERN ELEC PWR 8.75 DUE 05-01-2006	3000	100.000	3,000,000.00		8.750
SO WESTERN ELEC PWR 9.625 DUE 08-01-2005	2500	99.075	2,476,875.00		9.709
SOUTH CENT PELL TEL 9.2 DUE 04-01-2010	1000	103.875	1,038,750.00		8.856
SOUTHERN BELL TEL 8.25 DUE 04-15-2016	8000	99.125	7,930,000.00		8.322
SOUTHERN CALIF FD 8.875 DUE 03-15-2001	5000	99.500	4,975,000.00		8.914

## AGGREGATE TRANSACTION JOURNAL

(3)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS BOND FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
U S TREAS NOTE 7.375 DUE 05-15-81	8000	99.500	7,960,000.25		7.407
U S TREAS NOTE 7.5 DUE 03-31-80	500	99.853	499,265.00		7.511
U S TREAS NOTE 7.625 DUE 08-15-78	2000	99.437	1,988,750.00		7.663
U S TREAS NOTE 7.75 DUE 11-15-81	1000	98.781	987,812.50		7.845
U S TREAS NOTE 7.875 DUE 05-15-86	1500	100.000	1,500,000.00		7.870
U S TREAS NOTE 7.875 DUE 11-15-82	8500	101.172	8,599,687.50		7.778
U S TREAS NOTE 8.125 DUE 08-15-82	6000	99.686	5,981,200.00		8.145
U S TREAS NOTE 8.5 DUE 09-30-79	5000	100.088	5,004,400.75		8.492
U S TREAS NOTE 8.0 DUE 02-15-83	200	100.000	200,000.00		8.000
WISC PUBLIC SERVICE 8.125 DUE 09-01-2003	2000	93.043	1,860,860.00		8.727
12 FEDERAL LAND BANKS 8.80 DUE 10-21-85	2000	101.468	2,029,375.00		8.672
TOTAL INTERVAL PURCHASES:	167410		164,887,712.97		
TOTAL Y-T-D PURCHASES:	167410		164,887,712.97		
SALES:					
AMERICAN TEL & TEL 8.625 DUE 02-01-2007	2000	98.500	1,970,000.00	30,000.00-	8.751
AMERICAN TEL & TEL 7.0 DUE 02-15-2001	3500	87.500	3,062,500.00	423,570.00	8.000
AMERICAN TEL & TEL 7.125 DUE 12-01-2003	2300	88.459	2,034,557.00	87,124.00	8.048
AMERICAN TEL & TEL 8.80 DUE 05-15-2005	2000	100.250	2,005,000.00	11,250.00	8.778
PETHLEHEM STEEL CORP 8.45 DUE 03-01-2005	1000	99.775	997,750.00	35,250.00	8.469
CENTRAL ILL LT CO 7.875 DUE 09-01-2001	500	88.553	442,765.00	73,145.00-	8.887
CHESEPEAKE POT TEL 6.75 DUE 05-01-2008	1000	84.447	844,470.00	72,470.00	7.993
CHRYSLER CORP 8.0 DUE 11-01-98	4250	62.933	2,674,687.50	1,549,232.96-	12.711
CLEVELAND ELEC ILLUM 9.85 DUE 05-01-2010	2000	104.510	2,090,200.00	90,200.00	9.424
DIAMOND STATE TEL 7.00 DUE 12-01-2008	1000	77.705	777,050.00	178,050.00-	9.008
FEDL NATL MTGE ASSN 7.1 DUE 12-10-97	1500	84.694	1,270,410.00	115,215.00-	8.383

## AGGREGATE TRANSACTION JOURNAL

(4)

## ILLINDIS STATE BOARD OF INVESTMENT-ILLINDIS BOND FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
FDRD MDTDR CR 8.7 DUE 04-01-99	1300	96.113	1,249,469.00	50,531.00-	9.051
GENERAL ELECTRIC 8.5 DUE 05-01-2004	1500	99.500	1,492,500.00	5,250.00	8.542
GNMA PODL 8363 7.25 DUE 10-15-2005	6	100.016	6,371.06	453.95	7.248
GNMA PDOL 8590 7.25 DUE 11-15-2005	3	100.003	3,720.14	265.06	7.249
GNMA PODL 8591 7.25 DUE 11-15-2005	5	99.998	5,697.94	405.98	7.250
GNMA POOL 9048 7.50 DUE 12-15-2005	3	100.002	3,457.07	203.10	7.499
GNMA PDOL 9062 7.50 DUE 12-15-2005	14	99.999	14,459.88	849.52	7.500
GNMA PDOL 9063 7.50 DUE 12-15-2005	2	100.022	2,169.48	121.49	7.498
HUDUSTON LT & PWR 6.75 DUE 04-01-98	1000	81.538	815,380.00	86,680.00	8.278
HOUSTDN LT & PWR 8.75 DUE 03-01-2005	1000	98.768	987,680.00	3,340.00	8.859
KENNECDTT COPPER 7.875 DUE 05-01-2001	3500	92.343	3,232,005.00	62,440.00	8.522
KROGER CD 9.0 DUE 05-01-95	500	96.930	484,650.00	67,850.00-	9.285
NEW ENGLAND TEL 6.375 DUE 09-01-2008	1500	79.010	1,185,150.00	31,625.00	8.062
NEW ENGLAND TEL 7.375 DUE 10-15-2007	1500	85.780	1,286,700.00	9,090.00	8.591
NEW JERSEY PELL 6.625 DUE 04-01-2008	500	83.760	418,800.00	36,235.00	7.903
NO. INDIANA PUB SERV 8.90 DUE 04-01-2004	1500	100.650	1,509,750.00	9,750.00	8.842
PACIFIC GAS & ELEC 7.75 DUE 06-01-2005	1500	87.884	1,318,260.00	129,840.00	8.818
PACIFIC LTG SVC CD 8.375 DUE 09-01-93	500	95.010	475,050.00	28,575.00-	8.809
PACIFIC TEL & TEL 7.625 DUE 06-01-2009	3000	84.342	2,530,260.00	405,365.00-	9.034
PFNN POWER & LIGHT 9.75 DUE 05-01-05	1500	103.789	1,556,835.00	53,085.00	9.394
POTOMAC ELECTRIC PWR 10.75 DUE 08-15-2004	500	107.154	535,770.00	35,770.00	10.032
PRDVINCE DF QUEBEC 9.2 DUE 04-15-2004	1500	98.000	1,470,000.00	136,020.00	9.387
QUEBEC HYDRC ELEC 8.25 DUE 01-01-2004	500	88.156	440,780.00	56,720.00-	9.358
SAFEWAY STDRES 7.4 DUE 04-01-97	3200	93.010	2,976,320.00	100,004.50	7.956
SO CENTRAL BELL TEL 6.875 DUE 11-01-1999	1145	87.279	999,344.55	83,825.45-	7.871

## AGGREGATE TRANSACTION JOURNAL

(5)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS BOND FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
SO WESTERN BELL TEL 7.625 DUE 10-01-2013	2500	90.414	2,260,350.00	102,265.00	8.427
SO CENTRAL BELL TEL 7.375 DUE 11-01-2007	1000	88.276	882,760.00	40,710.00	8.348
SOUTHERN CALIF EDISON 8.875 DUE 03-01-2000	500	99.750	498,750.00	16,250.00	8.892
SOUTHERN BELL TEL 7.625 DUE 03-15-2013	2000	83.902	1,678,040.00	313,806.67-	9.082
SOUTHERN BELL TEL 8.0 DUE 02-15-2014	1000	91.734	917,340.00	68,130.00	8.720
SOUTHWESTERN BELL TEL 6.875 DUE 02-01-2011	500	85.888	429,440.00	55,105.00	7.998
TEXAS ELEC SVC CO 8.625 DUE 04-01-2004	500	99.655	498,275.00	8,470.00-	8.649
U S TREAS BOND 8.25 DUE 05-15-90	1500	103.203	1,548,046.88	59,611.88	7.993
U S TREAS NOTE 7.5 DUE 03-31-80	500	100.078	500,390.63	1,125.63	7.494
U S TREAS NOTE 7.625 DUE 08-15-78	2000	100.812	2,016,250.00	27,500.00	7.558
U S TREAS NOTE 8.0 DUE 02-15-83	200	101.156	202,312.50	2,312.50	7.908
U S TREAS BOND 7.0 DUE 05-15-98	8500	91.922	7,813,437.50	314,534.73-	7.615
U S STEEL CORP 7.75 DUE 03-01-2001	750	95.624	717,180.00	98,730.00	8.104
WASH METRO TRAN AUTH 7.30 DUE 07-01-2012	3800	84.622	3,215,636.00	79,213.00-	8.626
WESTERN ELECTRIC 7.5 DUE 06-15-91	1500	93.174	1,397,610.00	73,170.00	8.049
WOOLWORTH F W CO 7.375 DUE 04-01-96	1000	86.877	868,770.00	2,480.00-	8.483
12 FEDERAL LAND BANKS 8.80 DUE 10-21-85	2000	102.284	2,045,697.00	16,322.00	8.603
TOTAL INTERVAL SALES:	77980		70,660,254.13	1,374,489.20-	
TOTAL Y-T-D SALES:	77980		70,660,254.13	1,374,489.20-	
<u>CASH EQUIVALENTS</u>					
PURCHASES	332,288	99.749	331,454,416.62		
SALES	340,417	99.707	339,421,129.13		

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
<b>COMMON STOCK:</b>					
<b>=====</b>					
<b>PURCHASES:</b>					
AIR PRODS & CHEMS	14000	71.314	998,398.50		.52?
ALLEGHENY PWR SYS	95000	17.912	1,701,675.00		9.014
ALUMINUM CO AMER	3800	42.121	160,062.50		2.371
AMER HOSPITAL SUPPLY	3000	28.250	84,750.00		1.167
AMERICAN HOME PRODS	6500	34.900	226,850.00		2.919
AMERICAN TEL&TEL	4100	54.875	224,987.50		6.725
AMFAC INC	10000	17.220	172,200.00		6.153
AMP INC	12100	28.200	341,220.00		1.233
ARA SVCS	3800	50.794	193,020.00		1.990
ATLANTIC RICHFIELD	6000	94.627	567,765.00		2.392
AVON PRODUCTS INC	20000	41.325	826,513.00		3.809
BAKER INT'L CORP.	20000	50.088	1,001,765.42		.851
BAXTER TRAVENOL LABS	47000	36.541	1,717,460.00		.543
BEATRICE FOODS CO	2500	18.600	46,500.00		3.184
PENDIX CORP	10500	50.032	525,487.50		3.976
BLACK & DECKER MFG	5000	25.400	127,000.00		1.632
BORG WARNER CORP	2500	18.975	47,437.50		4.909
BURROUGHS CCRP	16600	95.504	1,585,380.50		.653
CAROLINA PWR & LT CC	45000	19.482	876,700.00		8.142
CARTER HAWLEY HALE	20000	21.559	431,195.00		4.586
CATERPILLAR TRACTOR	8000	81.110	648,880.00		2.469
CRS INC	14000	49.698	695,773.00		2.825
CENTRAL & SO WEST	20000	14.558	291,175.00		8.275
CHAMPION INTL CCRP	75000	24.195	1,814,687.50		3.940

## AGGREGATE TRANSACTION JOURNAL

(7)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
COCA-COLA CO	1000	71.120	71,120.00		3.150
COLGATE PALMOLIVE CC	15000	26.035	390,525.00		2.841
COMMONWEALTH EDISON	9500	26.375	250,562.50		8.571
CONTINENTAL OIL CO	35000	34.375	1,203,125.00		6.254
DEERE & CO	1000	40.340	40,340.00		2.877
DELTA AIR LINES	7500	34.679	260,097.00		1.348
DIAMOND SHAMROCK	27000	68.811	1,857,896.50		2.285
DISNEY WALT PROCTNS	9500	52.229	496,180.14		.211
DOW CHEM CO	6500	87.589	569,332.50		2.072
EASTMAN KODAK	7500	98.123	735,922.50		2.057
EXXON CORP	13000	93.918	1,220,942.50		5.352
FEDERATED DEPT STORES	17000	49.924	848,712.50		2.855
FRANKLIN LIFE INS CC	25000	20.825	520,625.00		4.381
GARDNER-DENVER CO	5000	22.397	111,987.50		2.763
GATX CORPORATION	2500	26.850	67,125.00		6.545
GENERAL ELEC CO	7000	47.600	333,200.00		2.800
GENERAL MILLS INC	16700	27.495	459,170.00		2.412
GENERAL MOTORS CORP	27200	65.023	1,768,634.00		4.233
GENERAL TEL ELECT	5000	25.789	128,945.00		6.956
GEORGIA PAC CORP	9000	43.103	387,927.32		2.330
GULF OIL CORP	5000	22.915	114,575.00		6.044
HALLIBURTON CO	8000	154.237	1,233,897.50		.880
HEWLETT PACKARD CO	4500	104.597	470,687.50		.261
INGERSOLL RAND CO	17000	76.774	1,305,170.00		2.929
INTERNATIONAL PAPER	8000	75.961	607,695.00		2.739

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
INTL BUSINESS MACHINES	700	207.050	144,935.00		2.529
INTL TEL & TEL CORP	2000	23.721	47,442.50		5.638
JOHNSON & JOHNSON	12800	87.185	1,115,970.75		1.309
KERR MCGEE CORP	17000	76.474	1,300,070.00		1.540
KRAFTCO CORP	2500	38.780	96,950.00		4.859
KRESGE SS CO	18000	36.500	657,000.00		.901
LILLY ELI & CO	10000	50.233	502,334.12		2.269
LONGS DRUG STORES	13000	76.447	993,820.00		1.432
LOUISIANA LAND & EXPLO	5000	24.805	124,027.50		4.173
MARSHALL FIELD & CO	10000	21.683	216,837.50		6.526
MCDERMOTT J RAY	15000	59.292	889,386.00		2.083
MCGRAW HILL INC	5500	14.997	82,483.50		4.266
MELVILLE CORPORATION	20000	21.873	437,462.50		2.206
MERCK & CO INC	4500	72.389	325,752.50		1.944
MINNESOTA MINING & MFG	4000	58.000	232,000.00		2.606
MONSANTO CO	8000	91.091	728,735.00		3.002
NORTHWEST BANCORP	5000	41.150	205,750.00		3.192
OHIO CAS CORP	47000	44.489	2,091,000.00		3.482
PENNEY J C INC	4000	44.750	179,000.00		2.449
PENNZOIL CO	19900	20.549	408,939.00		3.826
PFIZER INC	3000	33.000	99,000.00		2.871
PHILIP MORRIS, INC	24000	52.675	1,264,217.50		1.951
PROCTER&GAMBLE CO	7000	88.352	618,465.00		2.318
RAYTHEON CO	15000	47.112	706,690.00		2.008
RICHARDSON-MERRILL	10000	21.695	216,950.00		2.694

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
RIVIANA FOODS INC	5000	26.210	131,052.50		3.539
SCHERING PLOUGH CORP	8000	50.980	407,845.00		1.637
SEARS ROEBUCK & CO	5500	66.545	365,999.00		2.471
SHELL OIL CO	3000	51.637	154,912.50		4.258
SIGNODE CORP	3500	35.352	123,735.00		2.597
SOUTHWESTERN LIFE	34000	27.187	924,375.00		3.433
STANDARD BRANDS PAINT	30000	46.282	1,388,485.00		1.081
STANDARD OIL CO IND	11500	43.521	500,500.00		4.554
STERLING DRUG, INC	30000	17.861	535,850.00		4.028
SUNBEAM CORP DEL	3000	16.775	50,325.00		4.232
TAMPA ELECTRIC CO	15000	14.708	220,625.00		6.637
TEXACO INC	2500	23.100	57,750.00		7.111
TEXAS INSTRS INC	4500	114.692	516,115.00		.787
TEXAS UTILITIES CO	28000	18.294	512,250.00		6.947
U S FIDELITY & GUAR	30000	38.446	1,153,387.50		6.379
UNION CAMP CORP	4000	87.132	348,530.50		2.509
US STEEL CORP	35000	69.087	2,418,066.00		4.055
UTAH INTERNATIONAL	2000	48.950	97,900.00		1.636
WALTER JIM CORP	1500	31.115	46,672.50		3.750
WARNER LAMBERT CO	2000	34.015	68,030.00		3.053
XEROX CORP	9000	63.861	574,750.00		1.622
TOTAL INTERVAL PURCHASES:	1303700		55,043,651.75		
TOTAL Y-T-D PURCHASES:	1303700		55,043,651.75		
SALES:					
AMER HOSPITAL SUPPLY	28000	34.984	979,569.65	5,668.53-	1.167

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
AMERICAN HOME PRODS	15000	33.833	507,507.97	35,163.37-	2.919
AMERICAN TEL&TEL	2500	54.248	135,620.46	23,455.94	6.725
ASSOCIATED DRY GOODS	16300	36.081	588,133.05	193,176.57-	4.878
ATLANTIC RICHFIELD	1500	103.247	154,871.59	22,823.27	2.392
BANKAMERICA CORP	1000	56.250	56,250.00	13,718.75	2.773
BEATRICE FOODS CO	90000	25.236	2,271,317.58	336,801.61	3.184
RIG THREE INDUSTRIES			23.30	12.38	1.159
BLACK & DECKER MFG	40200	26.779	1,076,519.79	52,417.11-	1.632
BORG WARNER CORP	7500	27.719	207,899.26	35,999.18-	4.909
CATERPILLAR TRACTOR	2000	84.379	168,759.34	36,225.60	2.469
CENTRAL & SO WEST	5000	17.375	86,875.00	14,195.05-	8.275
CHASE MANHATTAN CP	7000	34.466	241,267.62	136,232.38-	7.183
CITIZENS & STHN NB	44000	7.434	327,125.00	535,750.00-	6.933
COCA-COLA CO	4000	82.361	329,446.44	72,243.51-	3.150
COLGATE PALMOLIVE CO	30000	27.843	835,303.23	96,877.38-	2.841
DEERE & CO	2000	64.635	129,270.66	41,573.36	2.877
DELTA AIR LINES	5000	43.903	219,517.64	49,809.01	1.348
DUN & BRADSTREET COS	20000	30.898	617,971.13	141,718.92-	3.874
EMERSON ELEC CO	3000	34.815	104,445.38	14,610.08-	2.119
EMERY AIR FREIGHT	8600	40.780	350,710.49	54,239.08	2.681
EXXON CORP	1000	98.371	98,371.71	13,140.95	5.352
FACET ENTERPRISES	2100	6.239	13,102.81	2,266.12-	
FEDERAL NATL MTG ASSN	13000	14.871	193,322.35	29,622.62-	6.121
FLORIDA PWR&LT	30000	23.321	699,632.78	266,557.93-	6.534
FORD MTR CO DEL	14900	38.834	578,637.09	137,759.84-	4.102

## AGGREGATE TRANSACTION JOURNAL

(11)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
GENERAL ELEC CO	9000	55.199	496,795.83	23,210.73-	2.800
GENERAL TEL ELECT	48000	25.049	1,202,352.83	168,680.81-	6.956
GEORGIA PAC CORP	21100	49.428	1,042,944.54	324,906.13	2.330
HERCULES INC	20000	30.599	611,979.49	17,923.32	2.480
HEUBLEIN INC	5000	40.745	203,725.88	88,396.94-	2.424
HONEYWELL INC	8000	44.579	356,638.02	151,760.51-	2.821
HOUSTON LTG&PWR CO	28000	23.910	669,482.51	307,781.69-	6.638
ILLINOIS PWR CO	9000	26.934	242,409.35	95,045.95	8.800
INTERNATIONAL PAPER	7000	58.146	407,028.30	129,541.35	2.739
INTL TEL & TEL CORP	38000	26.768	1,017,183.75	309,456.34-	5.638
KAUFMAN & BROAD INC	3000	8.489	25,469.48	65,762.28-	1.777
KENNECOTT COPPER	30000	34.663	1,039,904.44	144,701.35	1.720
KERR MCGEE CORP	500	90.068	45,034.09	17,518.03	1.540
KRAFTCO CORP	2500	43.998	109,996.31	8,607.76	4.859
LOUISIANA LAND & EXPLO	15000	24.743	371,147.04	197,104.61-	4.173
LUCKY STORES INC	45619	14.972	683,016.46	153,065.33	5.084
MARSH & MCLENNAN COS	18000	59.130	1,064,343.04	364,611.19	2.770
MIDDLE SOUTH UTILITIES	21000	14.399	302,394.42	161,021.45-	9.025
MNNTNESOTA MINING & MFG	29000	57.306	1,661,893.04	73,930.68-	2.606
MONSANTO CO	1000	74.351	74,351.00	26,364.21	3.002
MONUMENTAL CORP	50050	11.299	565,556.25	587,606.25-	4.618
NCNB CORP	20000	11.000	220,000.00	133,334.65-	4.894
NLT CORP	6800	18.474	125,628.85	37,730.85-	3.261
NORTHWEST BANCORP	10000	48.737	487,371.16	114,311.53-	3.192
PENNEY J C INC	20000	48.298	965,978.48	337,646.31-	2.449

## AGGREGATE TRANSACTION JOURNAL

(12)

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
PEPSICO INC	17000	73.661	1,252,245.47	239,474.34	2.684
PFIZER INC	16500	27.625	455,823.42	162,575.70-	2.871
POLAROID CORP	18000	37.976	683,571.97	1,106,880.29-	.787
RELIANCE ELEC CC	5000	18.932	94,659.89	4,135.75	2.985
REVLON, INC	11000	76.411	840,527.91	251,955.64	1.904
SEARS ROEBUCK & CO	7000	68.786	481,502.80	100,955.21-	2.471
SIMPLICITY PATTERN	15375	17.371	267,078.52	122,048.60	3.809
STANDARD OIL CO IND	3500	51.141	178,996.54	30,020.23	4.554
SUNBEAM CORP DEL	13000	24.885	323,509.96	17,523.06	4.232
TRW INC	20000	27.633	552,665.99	87,003.45-	3.708
UNION CAMP CORP	5000	66.885	334,426.28	43,984.20	2.509
UPJOHN CO	11800	40.902	482,648.68	539,522.98-	2.258
UTAH INTERNATIONAL	1000	69.288	69,288.60	36,526.21	1.636
WALTER JIM CORP	4000	42.125	168,502.00	85,129.23	3.750
WARNER LAMBERT CO	35000	31.898	1,116,445.08	128,666.51-	3.053
WINN-DIXIE STORES	13500	38.531	520,173.06	71,194.76	4.146
XEROX CORP	10000	62.413	624,130.28	307,013.25-	1.622
TOTAL INTERVAL SALES:	1065844		33,410,292.33	4,184,535.02-	
TOTAL Y-T-D SALES:	1065844		33,410,292.33	4,184,535.02-	

PREFERRED STOCK:  
=====

## SALES:

PFYNOLDS R J INDS PFD B \$2.25	9000	59.500	535,501.71	122,245.83-	3.629
TOTAL INTERVAL SALES:	9000		535,501.71	122,245.83-	
TOTAL Y-T-D SALES:	9000		535,501.71	122,245.83-	

## ILLINOIS STATE BOARD OF INVESTMENT-ILLINOIS EQUITY FUND

7/ 1/75 TO 6/30/76

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
AIR PRODS & CHEMS	160		1.02		.522
ARA SVCS	2,750		1.50		1.990
RENDIX CORP	3,500		1.33		3.976
RIG THREE INDUSTRIES	302		1.02		1.159
CONTINENTAL OIL CO	21,500		2.00		6.254
DISNEY WALT PRODTNS	504		1.03		.211
DOW CHEM CO	23,000		2.00		2.072
GEORGIA PAC CORP	1,355		1.02		2.330
HALLIBURTON CO	26,000		3.00		.880
LONGS DRUG STORES	13,000		2.00		1.432
MCDERMOTT J RAY	3,000		2.00		2.083
SIMPLICITY PATTERN	375		1.02		3.809
UNION CAMP CORP	2,000		1.50		2.509
US STEEL CORP	17,500		1.50		4.055
<b>TOTAL INTERVAL CAPITALIZATION:</b>	114,946				
<b>TOTAL Y-T-D CAPITALIZATION:</b>	114,946				

CASH EQUIVALENTS:

PURCHASES	149,986	99.752	149,614,682.23
SALES	164,745	99.546	163,997,320.35

## ILLINOIS STATE BOARD OF INVESTMENT

(14)

## INVESTMENT TRANSACTIONS

7/1/75 to 6/30/76

<u>GENERAL ASSEMBLY INVESTMENT FUND</u>	<u>Par Value or Units</u>	<u>Unit Amount</u>	<u>Total Cost or Proceeds</u>
<b>PURCHASES</b>			
Cash equivalents	1,087,000	100.000	1,087,000.00
Illinois Bond Fund units	49,530	8.839	437,789.82
Illinois Equity Fund units	10,718	10.260	109,969.53
Total purchases			<u>1,634,759.35</u>
<b>SALES</b>			
Cash equivalents	875,000	100.000	<u>875,000.00</u>
Total sales			<u>875,000.00</u>
<b>JUDGES INVESTMENT FUND</b>			
<b>PURCHASES</b>			
Cash equivalents	3,472,000	100.000	3,472,000.00
Illinois Bond Fund units	548,597	8.889	4,876,416.95
Illinois Equity Fund units	30,787	10.261	315,890.34
Total purchases			<u>8,664,307.29</u>
<b>SALES</b>			
Cash equivalents	4,111,000	100.000	<u>4,111,000.00</u>
Total sales			<u>4,111,000.00</u>
<b>STATE EMPLOYEES' INVESTMENT FUND</b>			
<b>PURCHASES</b>			
Cash equivalents	44,425,024	100.000	44,425,023.79
Illinois Bond Fund units	9,297,160	8.793	81,746,161.32
Illinois Equity Fund units	571,220	10.260	5,860,915.44
Total purchases			<u>132,032,100.55</u>
<b>SALES</b>			
Cash equivalents	63,371,024	100.000	<u>63,371,023.79</u>
Total sales			<u>63,371,023.79</u>

## ILLINOIS STATE BOARD OF INVESTMENT

(15)

INVESTMENT TRANSACTIONS with BROKERS AND DEALERS  
Year Ended June 30, 1976

Transactions Executed Involving Commissions	Board Directed Portion	Total Commissions Generated
<b>Equity Securities</b>		
<b>Stock exchange transactions</b>		
Advest Co.	\$	\$ 1,380.00
American Securities Corp.		5,075.00
Auerbach Pollack Richardson		350.00
Bacon, Whipple & Co.		375.00
Baird (Robert W.) & Company, Inc.		600.00
Baker, Weeks & Co., Inc.		742.00
Bateman Eichler, Hill Richards, Inc.		1,670.00
Bear, Stearns & Co.		1,100.00
Becker (A.G.) & Company, Inc.		750.00
Becker Securities Corp.		360.00
Blair (William) & Co.	9,791.00	10,666.00
Brown (Alex.) & Sons		460.00
Brown Brothers Harriman & Co.	2,840.00	3,400.00
Callan Associates Inc.	360.00	1,520.00
Cantor, Fitzgerald & Co., Inc.		937.50
Chicago (The) Corporation		5,755.00
Coleman & Company		430.00
Dillon Read & Co., Inc.		110.00
Donaldson, Lufkin & Jenrette Sec. Corp.	12,424.50	14,491.50
Drexel Burnham & Co., Inc.	23,853.00	26,273.00
Edwards and Hanly		400.00
Ernst & Company		65.00
Faulkner, Dawkins & Sullivan, Inc.	1,640.00	2,180.00
First (The) Boston Corp.		650.00
Foster Securities Corp.		640.00
Goldman, Sachs & Co.	29,854.86	33,704.86
Hutton (E.F.) & Co., Inc.	5,800.00	7,306.00
Illinois (The) Company		250.00
Illinois (The) Company/McCormick Inc.		170.00
Jeffries & Company		600.00
Jesup & Lamont Inc.		1,822.00
Kidder, Peabody & Co., Inc.	5,585.00	7,995.00
Kuhn, Loeb & Co.	11,458.00	12,643.00
Lawrence (Cyrus J.) Inc.	12,380.00	12,380.00
Lehman Brothers Inc.	6,925.00	6,925.00
Loeb, Rhoades & Co.		1,018.00
Merrill Lynch, Pierce, Fenner & Smith	12,020.00	12,660.00
Mesirow & Co.	4,950.00	6,480.00
Mitchell, Hutchins Inc.	50,735.50	52,415.50
Mitchum, Jones & Templeton, Inc.		1,515.00
Morgan Stanley & Co., Inc.	40,274.22	40,962.22
Oppenheimer & Company, Inc.	14,275.00	16,855.00
Paine, Webber, Jackson & Curtis, Inc.	2,120.00	3,162.00
Reynolds Securities, Inc.		1,537.50

INVESTMENT TRANSACTIONS with BROKERS AND DEALERS  
Year Ended June 30, 1976

Transactions Executed Involving Commissions	Board Directed Portion	Total Commissions Generated
<b>Equity Securities</b>		
<b>Stock exchange transactions (continued)</b>		
Rotan, Masle-Dallas Union, Inc.	\$	\$ 748.00
Rothschild (L.F.) & Co.		750.00
Salomon Brothers	6,080.00	9,060.00
Saxton (G.A.) & Company, Inc.		1,885.00
Shearson Hayden Stone Inc.		2,724.00
Shields Model Roland Securities Inc.		618.00
Simpson (Martin) & Company, Inc.		170.00
Smith Barney & Co., Inc.		892.00
Stern, Frank, Meyer & Fox, Inc.		1,874.00
Sutro & Co., Inc.		540.00
Wainwright (H.C.) & Co.	11,402.50	13,587.50
Weeden & Co. Inc.		14,490.00
Wertheim & Co., Inc.	8,961.00	10,725.00
Wheat, First Securities Inc.		800.00
White, Weld & Co. Inc.	9,939.57	12,649.57
Whitney (H.N.), Goadby & Co.		220.00
Witter (Dean) & Company, Inc.		240.00
Witter (William D.), Inc.		4,283.00
<b>Total Equity Securities</b>	<b>\$ 283,669.15</b>	<b>\$ 377,037.15</b>
<b>Transactions Executed on a Net Basis</b>	<b>Par Value or Number of Shares</b>	<b>Transaction Value</b>
<b>Commissions Not Separately Stated</b>		
<b>Equity Securities</b>		
<b>Syndicate transactions</b>		
Baker, Weeks & Co., Inc.	5,000	\$ 118,125
Blair (William) & Co.	3,500	92,313
Drexel Burnham & Co., Inc.	2,500	91,250
Eppler, Guerin & Turner, Inc.	2,700	91,462
Faulkner, Dawkins & Sullivan, Inc.	6,500	226,625
Goldman, Sachs & Co.	25,000	590,625
Hutton (E.F.) & Co., Inc.	5,000	118,125
Kidder, Peabody & Co., Inc.	5,000	118,125
Kuhn, Loeb & Co.	11,100	444,113
Lawrence (Cyrus J.) Inc.	8,000	255,250
Morgan Stanley & Co., Inc.	42,000	1,219,375
Paine, Webber, Jackson & Curtis, Inc.	10,000	160,625
Salomon Brothers	2,000	90,000
Wainwright (H.C.) & Co.	5,000	171,875
Wertheim & Co., Inc.	5,000	118,125
White, Weld & Co. Inc.	1,800	43,350
Wood, Struthers & Winthrop, Inc.	8,500	178,187

## ILLINOIS STATE BOARD OF INVESTMENT

(17)

INVESTMENT TRANSACTIONS with BROKERS AND DEALERS  
Year Ended June 30, 1976

Transactions Executed on a Net Basis Commissions Not Separately Stated	Par Value or Number of Shares	Transaction Value
<b>Equity Securities</b>		
<b>Third market and/or over the counter transactions</b>		
American Securities Corp.	1,000	\$ 57,750
Bear, Stearns & Co.	1,000	56,250
Cantor, Fitzgerald & Co., Inc.	7,000	407,375
Drexel Burnham & Co., Inc.	14,000	102,130
Goldman, Sachs & Co.	158,050	3,290,181
Jeffries & Company	16,500	687,750
Merrill Lynch, Pierce, Fenner & Smith	38,000	1,008,625
Shields Model Roland Securities Inc.	10,000	247,750
Weeden & Co., Inc.	25,100	1,034,375
 <b>Fixed Income Securities</b>		
<b>Syndicate transactions</b>		
Bache Halsey Stuart, Inc.	\$ 2,000,000	2,000,000
Bear, Stearns & Co.	500,000	499,375
Becker (A.G.) & Company, Inc.	1,450,000	1,453,875
Blair (William) & Co.	250,000	249,375
Blyth Eastman Dillon & Co., Inc.	1,000,000	996,250
Donaldson, Lufkin & Jenrette Sec. Corp.	400,000	399,063
Drexel Burnham & Co., Inc.	3,500,000	3,505,625
Faulkner, Dawkins & Sullivan, Inc.	2,700,000	2,689,500
First (The) Boston Corp.	8,000,000	7,984,687
Goldman, Sachs & Co.	1,750,000	1,745,625
Hornblower & Weeks-Hemphill, Noyes, Inc.	500,000	500,000
Kidder, Peabody & Co., Inc.	100,000	99,750
Kuhn, Loeb & Co.	3,000,000	3,004,375
Lehman Brothers Inc.	200,000	199,125
Loeb, Rhoades & Co.	500,000	497,500
Merrill Lynch, Pierce, Fenner & Smith	6,200,000	6,184,187
Morgan Stanley & Co., Inc.	5,850,000	5,846,875
Paine, Webber, Jackson & Curtis, Inc.	3,850,000	3,845,000
Rothschild (L.F.) & Co.	500,000	498,125
Salomon Brothers	4,750,000	4,730,938
Smith Barney & Co., Inc.	400,000	398,375
Spencer Trask & Co.	250,000	248,750
Weeden & Co. Inc.	250,000	248,750
Wertheim & Co., Inc.	1,500,000	1,495,000
White, Weld & Co., Inc.	1,500,000	1,493,125

INVESTMENT TRANSACTIONS with BROKERS AND DEALERS  
Year Ended June 30, 1976

Transactions Executed on a Net Basis Commissions Not Separately Stated	Par Value or Number of Shares	Transaction Value
<b>Fixed Income Securities</b>		
<b>Secondary market transactions</b>		
<b>Government obligations</b>		
First (The) Boston Corp.	\$ 23,300,000	\$ 21,905,734
First (The) National Bank of Chicago	3,000,000	2,991,094
Goldman, Sachs & Co.	2,000,000	1,988,750
Harris Trust & Savings Bank	14,700,000	14,665,929
Merrill Lynch, Pierce, Fenner & Smith	5,005,619	4,732,440
Morgan Stanley & Co., Inc.	2,000,000	2,045,700
Paine, Webber, Jackson & Curtis, Inc.	3,013,104	2,836,084
Salomon Brothers	27,241,385	26,397,140
 <b>Fixed Income Securities</b>		
<b>Secondary market transactions</b>		
<b>Corporate obligations</b>		
Bache Halsey Stuart, Inc.	1,500,000	1,470,000
Bear, Stearns & Co.	500,000	535,770
Becker (A.G.) & Company, Inc.	1,000,000	1,018,750
Blyth Eastman Dillon & Co., Inc.	2,000,000	1,809,755
Dillon Read & Co., Inc.	11,100,000	10,544,359
Donaldson, Lufkin & Jenrette Sec. Corp.	1,750,000	1,728,430
Drexel Burnham & Co., Inc.	9,750,000	7,728,523
First (The) Boston Corp.	10,250,000	9,737,950
Goldman, Sachs & Co.	3,200,000	2,976,320
Kidder, Peabody & Co., Inc.	1,000,000	878,810
Kuhn, Loeb & Co.	4,000,000	4,030,250
Merrill Lynch, Pierce, Fenner & Smith	16,300,000	15,627,318
Morgan Stanley & Co., Inc.	9,000,000	8,167,870
Paine, Webber, Jackson & Curtis, Inc.	2,000,000	1,858,770
Rothschild (L.F.) & Co.	2,000,000	1,660,200
Salomon Brothers	29,800,000	28,603,117
Smith Barney & Co., Inc.	1,900,000	1,878,625
Weeden & Co. Inc.	4,500,000	4,459,312
Wertheim & Co., Inc.	1,145,000	999,345
White, Weld & Co., Inc.	1,500,000	1,422,500









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# Illinois State Board Of Investment 1977 Annual Report



## Table Of Contents

<b>Financial Summary Comparison—Fiscal Years 1977 and 1976</b>	1
<b>Review of Operations</b>	2
<b>Financial Summary—Seven Year History</b>	5
<b>Financial Statements</b>	
<b>Commingled Investment Funds</b>	6-7
<b>Segregated Investment Funds</b>	8-9
<b>Management Fund</b>	10
<b>Notes to Financial Statements</b>	11-12
<b>Accountants' Report</b>	13
<b>Supplemental Financial Information</b>	
<b>Portfolios</b>	
<b>Illinois Bond Fund</b>	15-18
<b>Illinois Equity Fund</b>	19-21
<b>Segregated Investment Funds</b>	22
<b>Transactions</b>	
<b>Illinois Bond Fund</b>	23-30
<b>Illinois Equity Fund</b>	31-38
<b>Segregated Investment Funds</b>	39
<b>Brokers and Dealers Used</b>	40-42
<b>Portfolio Data</b>	
<b>Illinois Bond Fund</b>	43
<b>Illinois Equity Fund</b>	44
<b>Board Membership</b>	<b>Inside Back Cover</b>

Compliance Audit Report—See separate document on file with the Auditor General of the State of Illinois.

# Illinois State Board Of Investment

Financial Summary

Fiscal Years Ending June 30  
(At market value—in \$ millions)

	<b>1977</b>	<b>1976</b>	<b>Change</b>
Illinois Bond Fund	\$476.8	\$393.5	\$ 83.3
Illinois Equity Fund	186.6	190.5	( 3.9)
Other (net)	<u>3.7</u>	<u>4.0</u>	<u>( .3)</u>
	<b>\$667.1</b>	<b>\$588.0</b>	<b>\$ 79.1</b>
Income Distributed	\$ 40.9	\$ 34.5	\$ 6.4
Net appreciation	6.0	17.2	(11.2)
New money contributions	32.2	39.4	( 7.2)
Total Return*	7.5%	9.5%	( 2.0)%
Average Income Yield*	6.5	6.4	.1
Statutory Equity Ratio	30.4%	32.3%	( 1.9)%
Retirement System Participation			
General Assembly	\$ 9.9	\$ 9.5	\$ .4
Judges	36.8	31.7	5.1
State Employees'	620.4	546.8	73.6
Management Fund			
Total Expenses (000)	\$ 444	\$ 683	\$ (239)
Percent—net assets at year end	.07%	.12%	(.05)%

\***Total Return** is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash inflow. **Average Income Yield** is the income earned for the year divided by the average market value of assets employed.



**November 15, 1977**

**Trustees:**

The General Assembly Retirement System  
The Judges Retirement System of Illinois  
The State Employees' Retirement System of Illinois

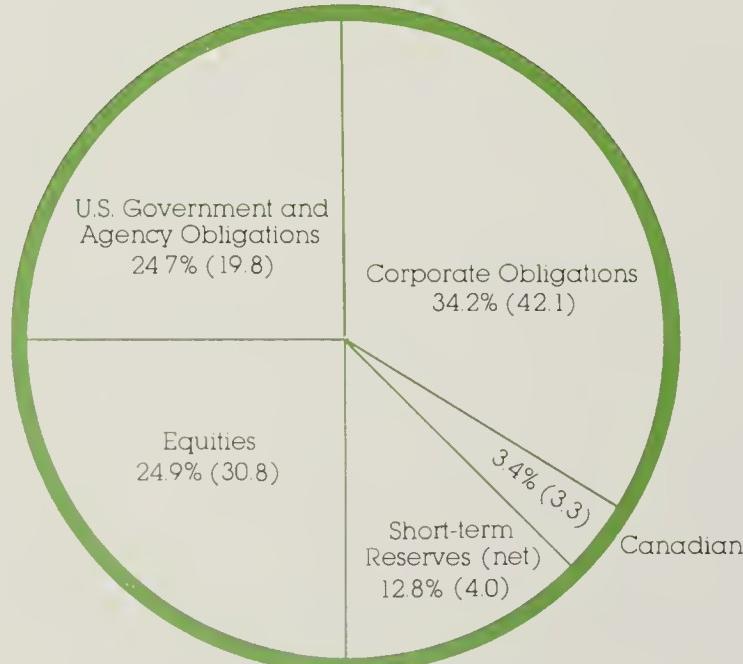
We are pleased to submit the seventh Annual Report of the Illinois State Board of Investment for the year ending June 30, 1977.

**Investment Position**

Net assets under management at year end were \$667.1 million, an increase of \$79.1 million. The investment position of the Board consists of the securities held in the Illinois Bond Fund and the Illinois Equity Fund which amounted to \$663.4 million; the balance of \$3.7 million represented income and new money contributions to be allocated to the Commingled Investment Funds. The distribution of security holdings among several major security classifications is summarized for the past two years in the following chart.

**Diversification Summary**

June 30, 1977



(Numbers in ( ) are position on June 30, 1976)

**Investment Policy and Strategy**

The policies and strategies of the Board are designed to maximize total return within a framework of controlled risk. The Board takes into consideration the needs of its client retirement systems, including the level of funding, and acknowledges that its primary obligation is to make investment decisions which are solely in the best interest of these pension plans. In managing its investments, the Board has focused attention on the income component of total return. The income yield on the average market value of total assets was 6.5% in fiscal 1977 and has ranged from 6.3% to 6.8% since 1974. Furthermore, the average coupon of the long-term holdings of the Illinois Bond Fund has remained at 8.4% for the past three years despite a declining trend in long-term interest rates.

Capital preservation may take many forms—all intended to moderate exposure to market value declines. While investing in any long-term asset engenders a degree of price volatility, equities have experienced the widest fluctuations during periods of uncertainty. Both economic and market conditions during fiscal 1977 were characterized by a number of cross-currents—most were unsettling and reflected continuing adjustments to the high levels of inflation and interest rates of the earlier 1970's. At the same time, the economy advanced into its third year of recovery from the recession of 1974-1975, leading to concern about the duration of the recovery itself.

The Board's policy has been to reduce its commitment to equities by allocating an increasing portion of cash flow to fixed income investment. During fiscal 1977, cash inflow of \$73.4 million was received from income reinvestment and new money contributions. About 86%, or \$63.1 million, was committed to the Illinois Bond Fund and only 14%, or \$10.3 million, to the Illinois Equity Fund. The impact of this program was to further reduce the ratio of the Illinois Equity Fund to total assets at book value (Statutory Equity Ratio) to 30.4%, from 32.3% a year ago. The legal maximum ratio is 40%.

An important element in the Board's strategy is the employment of short-term reserves. As the year progressed, an increasing portion of the combined portfolio was invested in fixed income securities maturing within a year. General expectations were that long-term interest rates would move higher while advances in equity prices would be difficult in spite of historically reasonable valuations. The structure of the investment portfolio became increasingly defensive, with cash and equivalent holdings amounting to \$76.6 million, or 12.8%, on June 30, 1977. A year ago, the proportion was ~~30%~~.<sup>4.0%</sup>

The quality level of investment holdings is a third approach to risk control. The strategies of the Board incorporate a high-quality structure in both fixed income and equity investments. For example, approximately 94% of long-term bond investments are rated at least "AA" by Standard & Poor's and Moody's. This position is the same as a year ago and acknowledges that the incremental yield advantage to be gained by down-grading quality was insufficient during most of the year. Rather, United States Government Obligations were attractive relative to corporate issues, and their proportion increased to 25% versus 20% of the total portfolio, largely through the addition of Government National Mortgage Association Pools.

The definition of quality in an equity portfolio is less easily established. The Board directs its attention to seasoned companies with visible characteristics for long-term growth in sales and earnings. At the same time, the dual objective of a diversified but meaningful portfolio is important to the selection of equity investments. Emphasis is placed on those larger capitalization companies that are attractive long-term commitments.

In a period characterized by rapid changes in economic and market perceptions, active management of investments assumes added significance. There is the need to be

responsive to changing fundamentals and market factors, although trading for short-term gains is not a generally accepted policy for long-term pension funds. Activity in both the Illinois Bond Fund and the Illinois Equity Fund increased during the year, as a result of the Board's strategy and the further consolidation of externally advised portions of the Illinois Equity Fund.

Turnover is measured by the proceeds of securities sold or the cost of securities acquired (whichever is greater) divided by the average market value of the securities owned excluding cash and equivalents. The trends in this ratio for the Illinois Bond Fund and the Illinois Equity Fund are outlined in the following table.

### **Turnover Analysis**

Fiscal Years

Illinois Bond Fund		Illinois Equity Fund	
1977	50%	1977	40%
1976	21	1976	19
1975	96	1975	17
1974	208	1974	31

The foregoing comments are intended to provide an overview of the Board's investment policy and strategy during the past year. More detailed statistical analyses are available in the Supplemental Financial Information section beginning on page 14.

### **Results**

Investment results for a pension fund are best defined as the rate of accumulation of assets from income and appreciation on the funds contributed. This calculation, the dollar-weighted return, takes into account the timing of new money contributions and accordingly, the period during which earnings occur. For the total assets under management, the return was 7.5% in fiscal 1977 and 9.5% in fiscal 1976. This rate will fluctuate from year to year with changes in market valuations. Since the inception of the Board in 1970, the compound growth in assets has averaged 6.4% per year.

In addition, the Board compares the performance of its Commingled Funds against standard indices. These calculations are made on a time-weighted basis to eliminate the effect of cash flows and provide a measure of the results of the Board's strategy against a broader universe. The time-weighted returns for the past two years are presented on the next page.

## Total Returns

	Fiscal Years		Five Year
	1977	1976	Average
Illinois Bond Fund	13.2%	10.2%	6.9%
Salomon Brothers Index	15.1	10.4	7.2
Illinois Equity Fund	(3.4)	9.4	(.4)
Standard & Poor's 500 Index	.5	14.0	2.7

Source Callan Associates

These comparisons are necessarily statistical in nature and cannot reflect entirely the specific objectives and limitations which shape the management of an individual fund. For example, the composition of the Illinois Bond Fund is not identical to the Salomon Brothers Index. The structure of the Illinois Bond Fund is more defensive than the Index, with a higher quality rating, higher coupon level, and a short-term reserve position. Accordingly, one would expect the Index to record a greater return during a period of rising bond prices such as occurred during fiscal 1977. Similarly, the positive results of the Standard & Poor's Index reflected the superior performance of the smaller capitalization companies. The Board, however, concentrates its portfolio in the larger, seasoned corporations as a matter of policy. Thus, the comparisons set forth above offer only a general perspective on performance.

## Management Fund

This Fund itemizes the Board's operating expenses. Three years ago, the Board embarked upon a program of strengthening control over the investment process by developing the professional capability of its internal staff. This program was to be accomplished gradually—with the coincident build-up of internal staff and the cancellation of external advisor relationships. On April 1, 1977, the equity portfolio advised by The First National Bank of Chicago was transferred to the internal staff, thereby completing the program adopted in September, 1974.

A benefit of this program is reduced management expenses. Under external, multi-advisor relationships, costs are a function of the market value of assets. Internal management provides the flexibility to assume additional responsibility without a built-in increase in expenses. The impact of this program was noticeable in fiscal 1977. The total expense chargeable to the retirement systems was as follows:

## Management Fund Expenses

	Total Expenses	Percent of Net Assets at Year End
1977	\$443,784	.07%
1976	\$682,511	.12%
1975	\$754,177	.15%

## Additional Comments

**Board Membership.** During the year, Representative William A. Redmond was elected Chairman of the General Assembly Retirement System, replacing Representative Louis F. Capuzi on the Board. Similarly, G. Ross Forbes, Jr., was appointed Chairman of the State Employees' Retirement System, replacing Elliot Epstein. Donald R. Smith was appointed Treasurer of the State of Illinois to fill the unexpired term of Alan J. Dixon.

**State Employees Deferred Compensation Plan** The Board is assigned the responsibility for developing and establishing a deferred compensation plan for State employees. At year end, the Board had obtained the necessary approvals from the Internal Revenue Service and the Illinois Department of Revenue, and was selecting investment vendors for the monies deferred. The Department of Personnel is responsible for the day-to-day administration of the Plan.

**Legislation.** The following amendments to the referenced sections of the Illinois Revised Statutes were approved during the year.

— Public Act 79-1425 which amends Chapter 108½, Section 24, (Illinois Pension Code) to conform the State Employees Deferred Compensation Plan to Internal Revenue Service requirements.

— Public Acts 79-1463 and 79-1464 which amend the Personnel Code and Chapter 108½, Section 22A, (Illinois Pension Code) to permit the Board to appoint investment officers and to set their compensation.

**Investment Transactions with Brokers/Dealers.** The market value of long-term fixed income transactions (excluding maturities of less than one year) during 1977 was \$443 million compared to \$235 million in 1976. Equity transactions resulted in commissions of \$514,464 versus \$377,000. In addition, the market value of equity transactions on a net basis was \$10 million versus \$11 million in 1976.

The details of the Board's operations are presented in the subsequent sections of this report. The Financial Statements begin on page 6, and Supplemental Financial Information on page 14.

Respectfully submitted,

Judge Robert J. Downing, Chairman

Richard A. LaPoint, Director

## Seven Year Summary

(000)

Fiscal Year Ended June 30

	1977	1976	1975	1974	1973	1972	1971
<b>Total Net Assets</b>	\$667,088	\$588,014	\$496,932	\$403,528	\$414,664	\$374,236	\$304,601
Illinois Bond Fund	476,777	393,463	299,377	239,080	239,265	222,567	N.A.
Illinois Equity Fund	186,596	190,492	174,044	151,119	164,252	130,757	68,866
Statutory Equity Ratio (Maximum—40% of book value)	30.4%	32.3%	35.5%	39.4%	39.7%	32.8%	19.6%
<b>Change in Net Assets</b>							
New Money Contributions	\$ 32,175	\$ 39,390	\$ 39,355	\$ 25,945	\$ 39,145	\$ 34,685	\$ 39,100
Net Appreciation (depreciation)	5,970	17,187	23,532	(62,724)	(19,315)	18,589	24,379
Net Income	40,929	34,505	30,516	25,644	20,599	16,360	16,665
<b>Returns</b>							
Annual Total Return*	7.5%	9.5%	12.1%	(9.1)%	0.4%	10.4%	15.4%
Average Income Yield*	6.5	6.4	6.8	6.3	5.2	4.8	6.3
Compound Growth—7 years	6.4	6.2	5.3	3.2	8.2	12.8	15.4

\***Total Return** is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash flow. **Average Income Yield** is the income earned for the year **dividend** by the average market value of assets employed. **DIVIDED**

# Commingled Investment Funds

Statement Of Net Assets—June 30, 1977

	Illinois Bond Fund	Illinois Equity Fund	Combined	%
INVESTMENTS, AT MARKET (Note A):				
U.S. Government and Agency obligations	\$163,502,316	\$ ---	\$ 163,502,316	24.65
Canadian obligations	22,512,739	---	22,512,739	3.39
Corporate obligations	226,784,012	---	226,784,012	34.19
Convertible preferred stock	---	3,681,250	3,681,250	0.55
Common stock	---	161,742,708	161,742,708	24.38
Short-term obligations	57,219,813	18,516,953	75,736,766	11.42
	<u>470,018,880</u>	<u>183,940,911</u>	<u>653,959,791</u>	<u>98.58</u>
OTHER ASSETS, LESS LIABILITIES	6,758,414	2,654,947	9,413,361	1.42
NET ASSETS (*)	<u>\$476,777,294</u>	<u>\$ 186,595,858</u>	<u>\$ 663,373,152</u>	<u>100.00</u>
*Net assets, at cost	\$459,868,263	\$ 192,826,277	\$ 652,694,540	
Units outstanding	50,389,422	18,003,916		
Unit value	\$ 9.46	\$10.36		

# Commingled Investment Funds

Statement Of Operations—Year Ended June 30, 1977

## INVESTMENT INCOME

### Income:

Interest	\$ 34,624,550	\$ 532,154	\$ 35,156,704
Dividends	---	6,453,377	6,453,377
	<u>34,624,550</u>	<u>6,985,531</u>	<u>41,610,081</u>

### Expense:

Management Fund operating expense allocation (Note A)	48,931	58,464	107,395
NET INVESTMENT INCOME	<u>\$ 34,575,619</u>	<u>\$ 6,927,067</u>	<u>\$ 41,502,686</u>

## REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

### Realized gain from security transactions (excl. short-term):

Proceeds from sales	\$215,997,274	\$ 75,095,546	\$ 291,092,820
Cost of securities sold	208,834,607	73,939,350	282,773,957
Net realized gain	<u>7,162,667</u>	<u>1,156,196</u>	<u>8,318,863</u>

### Unrealized appreciation (depreciation) of investments:

Beginning of period	4,207,727	9,224,309	13,432,036
End of period	16,909,031	( 6,230,419)	10,678,612
Unrealized apprec. (deprec.)	<u>12,701,304</u>	<u>(15,454,728)</u>	<u>( 2,753,424)</u>

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>\$ 19,863,971</u>	<u>\$ (14,298,532)</u>	<u>\$ 5,565,439</u>
--------------------------------------------------------	----------------------	------------------------	---------------------

See notes to financial statements, pages 11-12

## Commingled Investment Funds

Statement Of Changes In Net Assets—Years Ended June 30, 1977 and 1976

		Illinois Bond Fund 1977	Illinois Equity Fund 1977	Combined 1977
		1976	1976	1976
NET ASSETS, AT BEGINNING OF PERIOD	\$393,462,704	\$299,376,661	\$190,492,323	\$174,043,816
Proceeds from units issued	63,135,485	87,060,368	10,312,480	6,286,775
Net investment income	34,575,619	28,868,845	6,927,067	6,265,264
Less income distributed	34,260,485	28,210,368	6,837,480	6,286,775
Increase (decrease) in undistributed income	315,134	658,477	89,587	(21,511)
Net realized gain (loss) from sale of investments	7,162,667	(1,374,489)	1,156,196	(4,306,781)
Change in unrealized appreciation (depreciation) of investments	12,701,304	7,741,687	(15,454,728)	14,490,024
Net realized and unrealized gain (loss) on investments	19,863,971	6,367,198	(14,298,532)	10,183,243
NET ASSETS, AT END OF PERIOD	\$476,777,294	\$393,462,704	\$186,595,858	\$190,492,323
				\$663,373,152
				\$583,955,027
				\$473,420,477

See notes to financial statements, pages 11-12

# Segregated Investment Funds

Statement Of Net Assets—June 30, 1977

	General Assembly	Judges	State Employees'	Combined (Note A)
INVESTMENTS, AT MARKET (Note A):				
Illinois Bond Fund units	\$ 6,642,352	\$26,966,393	\$443,168,549	\$476,777,294
Illinois Equity Fund units	3,202,932	9,301,040	174,091,886	186,595,858
Short-term obligations	42,000	521,000	3,150,000	3,713,000
	<u>9,887,284</u>	<u>36,788,433</u>	<u>620,410,435</u>	<u>667,086,152</u>
OTHER ASSETS, LESS LIABILITIES	435	2,500	(1,266)	1,669
NET ASSETS (*) (Note B)	<u>\$ 9,887,719</u>	<u>\$36,790,933</u>	<u>\$620,409,169</u>	<u>\$667,087,821</u>
*Net assets, at cost	\$10,440,701	\$38,195,347	\$641,637,642	\$690,273,690
Statutory equity ratio (maximum allowable--40%)	34.8%	28.3%	30.4%	30.4%

# Segregated Investment Funds

Statement Of Operations—Year Ended June 30, 1977

## INVESTMENT INCOME

### Income:

Interest	\$ 24,642	\$ 21,075	\$ 121,459	\$ 167,176
Interest distributed--Illinois Bond Fund	485,793	1,924,157	31,850,535	34,260,485
Dividends distributed--Illinois Equity Fund	118,962	342,691	6,375,827	6,837,480
	<u>629,397</u>	<u>2,287,923</u>	<u>38,347,821</u>	<u>41,265,141</u>

### Expense:

Management Fund operating expense allocation (Note A)	5,606	18,501	312,282	336,389
NET INVESTMENT INCOME	<u>\$ 623,791</u>	<u>\$ 2,269,422</u>	<u>\$ 38,035,539</u>	<u>\$ 40,928,752</u>

## REALIZED AND UNREALIZED GAIN

### (LOSS) ON INVESTMENTS

Unrealized appreciation (depreciation) of investments:				
Beginning of period	\$ (590,222)	\$(1,812,188)	\$(26,753,620)	\$(29,156,030)
End of period	(552,982)	(1,404,414)	(21,228,473)	(23,185,869)
Change in unrealized	37,240	407,774	5,525,147	5,970,161
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>\$ 37,240</u>	<u>\$ 407,774</u>	<u>\$ 5,525,147</u>	<u>\$ 5,970,161</u>

See notes to financial statements, pages 11-12

## **Segregated Investment Funds**

Statement Of Changes In Net Assets—Years Ended June 30, 1977 and 1976

	General Assembly 1977	Judges 1976	State Employees' 1977	Combined (Note A) 1977	
NET ASSETS, AT BEGINNING OF PERIOD	\$9,451,688	\$8,422,022	\$31,713,737	\$26,310,923	\$546,848,483 \$462,198,963 \$588,013,908 \$496,931,908
Amount received for (re- turned from) investments	(225,000)	190,000	2,400,000	2,700,000	30,000,000 36,500,000 32,175,000 39,390,000
Net investment income	623,791	571,200	2,269,422	1,850,655	38,035,539 32,082,739 40,928,752 34,504,594
Net realized and unrealized gain on investments	37,240	268,466	407,774	852,159	5,525,147 16,066,781 5,970,161 17,187,406
NET ASSETS, AT END OF PERIOD	\$9,887,719	\$9,451,688	\$36,790,933	\$31,713,737	\$620,409,169 \$546,848,483 \$667,087,821 \$588,013,908

See notes to financial statements, pages 11-12

# Management Fund Statement Of Assets And Liabilities

June 30, 1977

## ASSETS

	June 30, 1977
Cash on deposit with State Treasurer	\$ 2,665
Receivable from Investment Funds for operating expenses (Note A)	32,835
Receivable from Deferred Compensation Plan (Note D)	1,781
Total assets	<u>\$ 37,281</u>

## LIABILITIES

Accounts payable and accrued expenses	\$ 37,281
Total liabilities	<u>\$ 37,281</u>

# Management Fund Operating Expenses

Years Ended June 30, 1977 and 1976

	1977	1976
Equity advisors' fees	\$ 26,851	\$230,165
Bond advisors' fees	---	48,303
Bank custodial fees	81,849	74,766
External consultants' fees--investment	20,000	---
External consultants' fees--actuary	1,500	---
External consultants' fees--legal	383	1,969
Administrative expenses:		
Investment salaries and benefits	113,141	121,148
Accounting salaries and benefits	87,046	77,190
Administrative salaries and benefits	55,349	55,333
Rent	21,359	21,634
Telephone	7,674	9,479
Quotron system rental	7,487	---
Printing	4,570	7,929
Travel	3,475	3,235
Insurance	1,885	1,925
Postage	1,850	990
Subscriptions	1,707	2,145
Computer terminal rental	1,464	1,709
Conference fees	1,405	925
Supplies	1,364	1,629
Personnel recruitment	1,230	998
Other	2,195	2,211
Total administrative expenses	313,201	308,480
Depreciation (Note C)	---	18,828
TOTAL OPERATING EXPENSES	<u>\$443,784</u>	<u>\$682,511</u>

## Allocation of expenses (Note A):

General Assembly Investment Fund	\$ 5,606	\$ 5,803
Judges Investment Fund	18,501	17,749
State Employees' Investment Fund	312,282	307,459
Illinois Bond Fund	48,931	90,761
Illinois Equity Fund	58,464	260,739
Total allocation of expenses	<u>\$443,784</u>	<u>\$682,511</u>

See notes to financial statements, pages 11-12

# Notes To Financial Statements

Year Ended June 30, 1977

## NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting:

The Board established the Illinois Equity Fund on July 17, 1970, and the Illinois Bond Fund on April 1, 1972, for the purpose of making commingled investments for the Segregated Funds. Units of the Commingled Funds are issued to the Segregated Funds on the first business day of each month, based on the unit asset value calculated as of the last business day of the preceding month. Units are redeemable on the same basis. Net income of the Commingled Funds is allocated to the Segregated Funds on the basis of percentages of accumulated units owned by each Segregated Fund. Combined columns for the Segregated Funds are presented for information purposes only and do not indicate that the assets of one fund may be used for another fund.

The Management Fund was created to pay the operating expenses of the Illinois Equity Fund, the Illinois Bond Fund, and the Segregated Funds. All investment advisors' fees and bank custodial fees are charged quarterly to the respective Illinois Equity Fund or Illinois Bond Fund. All other operating expenses are allocated quarterly to the Segregated Funds, in proportion to each fund's net asset value at the beginning of the quarter. Retirement system shares of total expenses were as follows:

	June 30	
	1977	1976
General Assembly	\$ 7,313	\$ 11,763
Judges	24,198	35,707
State Employees'	412,273	635,041
	<u>\$ 443,784</u>	<u>\$ 682,511</u>

### Valuation of Investments:

Investments owned at June 30, 1977, are included in the financial statements at market value, determined as follows: (1) U.S. Government and agency obligations, Canadian obligations, and Corporate bonds--prices quoted by a major dealer in such securities; (2) Common and preferred stocks: (a) Listed--closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter--bid prices; (3) Illinois Equity Fund and Illinois Bond Fund--net asset value of Fund.

The cost of U.S. Government and agency obligations and corporate bonds is average cost. Cost shown for common and preferred stocks is average cost. Aggregate cost of outstanding units of the Illinois Equity Fund is principal invested plus net income reinvested. Aggregate cost of outstanding units of the Illinois Bond Fund is transfer value of securities exchanged for units on April 1, 1972, plus additional principal invested and net income reinvested. Short-term obligations are shown at average cost, which approximates market.

# Notes To Financial Statements (Continued)

Year Ended June 30, 1977

## NOTE B--NET ASSETS OF SEGREGATED INVESTMENT FUNDS

The source of net assets of the Segregated Investment Funds at June 30, 1977, is as follows:

	General Assembly	Judges	State Employees'	Combined
Amounts received for investment	<u>\$7,416,520</u>	<u>\$28,856,788</u>	<u>\$496,117,966</u>	<u>\$532,391,274</u>
Accumulated net income	<u>3,355,269</u>	<u>9,753,909</u>	<u>172,107,509</u>	<u>185,216,687</u>
Accumulated net realized loss on sale of investments	<u>(331,088)</u>	<u>(415,350)</u>	<u>(26,587,833)</u>	<u>(27,334,271)</u>
Unrealized depreciation of investments	<u>(552,982)</u>	<u>(1,404,414)</u>	<u>(21,228,473)</u>	<u>(23,185,869)</u>
	<u><u>\$9,887,719</u></u>	<u><u>\$36,790,933</u></u>	<u><u>\$620,409,169</u></u>	<u><u>\$667,087,821</u></u>

The Illinois Bond Fund and the Illinois Equity Fund have not distributed realized gains or losses to the Segregated Funds. Thus, unrealized depreciation of the Segregated Funds consists of realized losses of the Illinois Bond and Illinois Equity Funds plus undistributed income and unrealized appreciation (depreciation) of these Commingled Funds as follows:

	Illinois Bond Fund	Illinois Equity Fund	Total
Undistributed net income	<u>\$ 2,973,880</u>	<u>\$ 352,280</u>	<u>\$ 3,326,160</u>
Undistributed net realized loss on sale of investments	<u>(19,940,454)</u>	<u>(17,250,187)</u>	<u>(37,190,641)</u>
Unrealized appreciation (depreciation) of investments	<u>16,909,031</u>	<u>(6,230,419)</u>	<u>10,678,612</u>
	<u><u>\$ (57,543)</u></u>	<u><u>\$(23,128,326)</u></u>	<u><u>\$(23,185,869)</u></u>

## NOTE C--FURNITURE AND EQUIPMENT

In 1976 the Board wrote off the balance of furniture and equipment. All future purchases of furniture and equipment will be charged to expense in the period acquired. This policy, which was adopted to conform with practices followed by most agencies of the State of Illinois, is not expected to significantly affect the financial position or results of operation of the Board.

## NOTE D--STATE EMPLOYEES DEFERRED COMPENSATION PLAN

The Illinois State Board of Investment is assigned the responsibility to develop and establish the State Employees Deferred Compensation Plan (Illinois Revised Statutes, Chapter 108½, Section 24 of the Pension Code). The Board expended monies appropriated for this purpose during fiscal years 1976 and 1977, of \$23,592 and \$13,712, respectively. These amounts are to be repaid to the General Revenue Fund from the State Employees Deferred Compensation Plan by June 30, 1986. These items are not included in the accompanying financial statements.

## Accountants' Report

Illinois State Board of Investment  
and Auditor General, State of Illinois

We have examined the statement of net assets of the Illinois Equity Fund, Illinois Bond Fund, State Employees' Investment Fund, General Assembly Investment Fund, and Judges Investment Fund of the Illinois State Board of Investment as of June 30, 1977, and their related statements of operations and changes in net assets for the year then ended, and the statements of assets and liabilities and operating expenses of the Management Fund as of and for the year ended June 30, 1977. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Investments owned at June 30, 1977, which were held by the custodian, were counted by us. Securities purchased but not received by the custodian were confirmed to us by brokers. The statements of changes in net assets and operating expenses of the Management Fund for the previous year were examined by other independent accountants.

In our opinion, the financial statements referred to above present fairly the net assets of the several funds of the Illinois State Board of Investment at June 30, 1977, and the results of their operations and changes in net assets for the year then ended in conformity with generally accepted accounting principals applied on a basis consistent with that of the preceding year.

Chicago, Illinois  
August 29, 1977

*Ernst & Ernst*

E&E

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## **Supplemental Financial Information**

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# Portfolio Of Investments Illinois Bond Fund

June 30, 1977

Rating Moody's: S&P	Par Value	Interest Rate	Maturity Date	Market Value	Yield to Maturity**
<b>Government Obligations (34.29%)*</b>					
U.S. Treasury (15.98%)					
\$ 25,000,000	U.S. Treasury Bond	8.500%	05/15/99	\$ 25,188,007.02	\$ 27,187,488 7.66 %
5,250,000	U.S. Treasury Note	6.250	11/15/79	5,245,078.13	5,259,843 6.16
5,000,000	U.S. Treasury Note	6.875	03/31/81	4,998,400.00	5,062,500 6.49
8,000,000	U.S. Treasury Note	7.375	05/15/81	7,960,000.25	8,230,000 6.52
6,000,000	U.S. Treasury Note	7.750	11/15/81	6,178,437.50	6,251,250 6.63
6,000,000	U.S. Treasury Note	8.125	08/15/82	5,981,200.00	6,363,750 6.70
17,000,000	U.S. Treasury Note	7.875	11/15/82	17,483,281.25	17,839,360 6.76
<b>72,250,000</b>	<b>Total U.S. Treasury</b>			<b>73,034,404.15</b>	<b>76,194,191</b>
 Federal Agency (18.31%)					
6,000,000	Federal Home Loan Banks	7.850	08/27/84	6,085,312.50	6,247,500 7.10
35,119,000	Government National Mtg. Assn.	7.500	2005-7	33,385,628.07	34,218,179 7.72
22,519,866	Government National Mtg. Assn.	8.000	2000,6	22,444,156.97	22,582,728 7.97
8,850,000	International Bank for R. & D.	8.000	01/01/80	9,016,475.00	9,126,562 6.62
7,000,000	International Bank for R. & D.	8.600	07/15/85	7,283,730.00	7,325,669 7.81
2,800,000	International Bank for R. & D.	8.850	12/15/85	2,907,219.00	2,974,265 7.83
4,500,000	International Bank for R. & D.	9.350	12/15/00	4,500,000.00	4,833,222 8.61
<b>86,788,866</b>	<b>Total Federal Agency</b>			<b>85,622,521.54</b>	<b>87,308,125</b>
<b>159,038,866</b>	<b>Total Government Obligations</b>			<b>158,656,925.69</b>	<b>163,502,316</b>
 Canadian Obligations (4.72%)					
AA:AA	1,000,000	Brit. Col. Hydro. & Power Auth.	10.250	10/01/99	1,000,000.00
AA:AA	2,500,000	Brit. Col. Hydro. & Power Auth.	9.625	06/01/05	2,537,500.00
AA:AA	1,500,000	Brit. Col. Hydro. & Power Auth.	8.375	06/15/07	1,500,000.00
AAA:AA	5,500,000	Ontario Province Canada	9.250	11/15/05	5,573,750.00
AA:AA	3,500,000	Quebec Hydro Elec. Comm.	10.700	08/01/99	3,505,625.00
AA:AA	3,000,000	Quebec Hydro Elec. Comm.	10.250	01/15/05	3,018,750.00
AA:AA	3,000,000	Quebec Province Canada	9.500	06/15/01	3,010,000.00
AA:AA	1,000,000	Quebec Province Canada	9.875	05/15/00	1,011,250.00
<b>21,000,000</b>	<b>Total Canadian Obligations</b>			<b>21,156,875.00</b>	<b>22,512,739</b>

\* Percentage of total portfolio at market value.

\*\* Based upon market value at June 30, 1977.

# Portfolio Of Investments Illinois Bond Fund (Continued)

June 30, 1977

Rating Moody's: S&P	Par Value	Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
Corporate Obligations (47.57%)						
Public Utilities (22.33%)						
AAA:AAA	\$ 7,500,000	American Tel. & Tel.	8.625%	02/15/07	\$ 7,466,796.87	8.04 %
AAA:AAA	4,250,000	Ches. & Potomac Tel., Md.	8.875	06/01/09	4,298,125.00	4,532,482
AA:AA	1,900,000	Hawaiian Tel.	8.500	04/01/06	1,878,625.00	8.51
AAA:AAA	4,400,000	Michigan Bell Tel.	7.000	11/01/12	3,880,878.50	3,852,237
AAA:AAA	4,000,000	New Jersey Bell Tel.	7.750	09/01/13	3,375,250.00	3,896,123
AAA:AAA	7,000,000	Northwestern Bell Tel.	8.625	06/15/12	6,590,625.00	7,357,705
AAA:AAA	6,500,000	New York Tel.	8.300	08/15/12	6,503,095.00	6,627,637
AAA:AAA	5,500,000	New York Tel.	8.625	06/15/16	5,678,535.00	5,772,602
AAA:AAA	6,900,000	Pacific Northwest Bell Tel.	9.000	11/01/12	7,019,125.00	7,407,287
AAA:AA	5,500,000	Pacific Tel. & Tel.	9.100	10/15/84	5,843,750.00	5,876,250
AAA:AA	3,500,000	Pacific Tel. & Tel.	9.500	06/15/11	3,830,000.00	3,853,640
AAA:AA	1,000,000	Pacific Tel. & Tel.	8.875	07/01/15	1,000,000.00	1,068,567
AAA:AAA	3,500,000	South Central Bell Tel.	9.200	04/01/10	3,706,620.00	3,831,840
AAA:AAA	3,500,000	Southern Bell Tel.	8.250	04/15/16	3,469,375.00	3,574,437
AAA:AAA	1,000,000	Southwestern Bell Tel.	8.500	03/15/16	990,000.00	1,032,556
AAA:AAA	7,000,000	Southwestern Bell Tel.	8.250	04/01/17	6,935,390.00	7,107,329
		Total Communications			72,466,190.37	75,681,381
Electric Utilities (6.45%)						
AAA:AA	500,000	Commonwealth Edison	9.375	05/15/04	490,000.00	547,107
A:A	1,500,000	Hawaiian Electric	11.250	12/01/04	1,500,000.00	1,740,000
AA:AA	4,000,000	Kentucky Utilities	9.250	06/01/06	4,051,250.00	4,312,025
A:AA	5,000,000	National Rural Utilities	10.500	11/01/81	5,500,000.00	5,505,989
AA:AA	2,000,000	Public Service of Indiana	9.600	08/01/05	2,000,000.00	2,215,299
AA:AA	2,000,000	Southern California Edison	8.875	03/01/00	2,063,540.00	2,100,000
AA:AA	4,000,000	Southern California Edison	8.875	03/15/01	3,980,000.00	4,211,058
AA:AA	2,500,000	Southwestern Electric Power	9.625	08/01/05	2,476,875.00	2,733,046
AA:AA	3,000,000	Southwestern Electric Power	8.750	05/01/06	3,000,000.00	3,143,661
AA:AA	2,000,000	Wisconsin Public Service	8.125	09/01/03	1,860,860.00	1,979,692
AA:AA	2,250,000	Wisconsin Public Service	8.200	02/01/12	2,241,000.00	2,268,140
	28,750,000	Total Electric Utilities			29,163,525.00	30,756,017
	101,700,000	Total Public Utilities			101,629,715.37	106,437,398

# Portfolio Of Investments Illinois Bond Fund (Continued)

June 30, 1977

Rating Moody's: S&P	Par Value	Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
Corporate Obligations						
Industrials (19.13%)						
AA:AA	\$ 2,500,000	Abbott Laboratories	9.200%	10/15/99	\$ 2,526,680.00	\$ 2,724,147 8.31 %
A:A	2,000,000	Aluminum Co. of America	9.450	05/15/00	2,000,000.00	2,201,042 8.45
AA:AA	1,000,000	Anheuser-Busch	9.200	04/01/05	1,000,000.00	1,100,589 8.27
AA:AA	5,000,000	Caterpillar Tractor	8.750	11/01/99	5,027,500.00	5,360,187 8.05
A:AA	1,250,000	Continental Group	8.850	05/15/04	1,250,000.00	1,337,654 8.20
AA:AA	5,000,000	Continental Oil	8.875	06/01/01	4,987,500.00	5,351,374 8.20
AAA:AAA	7,000,000	DuPont deNemours	8.450	11/15/04	7,042,000.00	7,363,870 7.98
AAA:AAA	4,500,000	Exxon Pipeline	8.875	10/15/00	4,488,750.00	4,838,025 8.15
AAA:AAA	2,500,000	Exxon Pipeline	9.000	10/15/04	2,515,500.00	2,699,375 8.26
AAA:AAA	4,000,000	Ford Motor	7.400	01/15/80	4,035,000.00	4,064,450 6.70
A:A	1,000,000	McDermott (J. Ray)	9.700	12/01/99	1,015,000.00	1,102,140 8.66
AAA:AAA	7,500,000	Minnesota Mining & Mfg.	8.850	04/01/05	7,553,840.00	8,161,946 8.05
AAA:AAA	4,000,000	Mobil Alaska Pipeline	8.450	03/01/05	3,828,350.00	4,162,701 8.08
A:A	500,000	Owens-Illinois	9.350	11/01/99	500,000.00	545,938 8.43
A:AA	1,000,000	Penney (J.C.)	9.000	06/15/99	1,000,000.00	1,069,138 8.31
A:A	2,000,000	Philip Morris	8.875	06/01/04	1,987,500.00	2,134,321 8.25
A:A	300,000	Pitney Bowes	9.000	10/15/95	331,020.00	310,681 8.61
AAA:AAA	4,500,000	Proctor & Gamble	8.250	03/01/05	4,438,265.62	4,707,303 7.84
AA:AA	2,000,000	Richardson-Merrell	8.850	12/15/99	2,000,000.00	2,132,454 8.20
AAA:AAA	3,950,000	Sears Roebuck	8.000	04/01/06	3,941,375.00	4,008,154 7.87
AAA:AAA	3,000,000	Shell Oil	8.750	05/15/05	2,977,500.00	3,207,444 8.12
A:AA	3,000,000	Sohio/BP Trans. Alaska Pipeline	9.750	12/01/99	3,040,000.00	3,283,152 8.78
AAA:AAA	6,000,000	Standard Oil of Indiana	8.375	06/15/05	6,120,000.00	6,249,869 8.00
A:AA	1,500,000	Standard Oil of Ohio	8.500	01/01/00	1,397,775.00	1,530,344 8.30
AAA:AAA	3,250,000	Texaco	8.875	05/01/05	3,267,645.00	3,470,268 8.25
AAA:AAA	4,250,000	Warner Lambert	8.875	04/01/00	4,228,750.00	4,613,247 8.05
AA:AA	2,500,000	Weyerhaeuser	8.900	11/15/04	2,510,965.00	2,689,764 8.20
A:A	750,000	Woolworth (F.W.)	9.000	06/01/99	744,375.00	778,618 8.61
	85,750,000	Total Industrials			85,755,290.62	91,198,195

# Portfolio Of Investments Illinois Bond Fund (Continued)

June 30, 1977

Rating Moody's: S&P	Par Value	Interest Rate	Maturity Date	Market Value	Yield to Maturity
Corporate Obligations					
Finance (6.11%)					
AA:AA	\$ 2,000,000	9.750%	10/15/79	\$ 2,158,728.07	6.53 %
AA:AA	7,650,000	9.750	10/01/81	8,226,966.00	7.40
AA:AA	1,300,000	10.500	10/01/94	1,384,500.00	8.89
AA:AA	2,000,000	8.700	04/01/99	1,884,680.00	8.24
AAA:AA	8,500,000	7.250	04/15/80	8,556,355.00	7.05
A:A	4,000,000	8.750	02/01/02	4,000,000.00	8.59
AA:AA	2,500,000	8.375	10/01/03	2,480,000.00	8.24
	<u>27,950,000</u>			<u>28,691,229.07</u>	<u>29,148,419</u>
	<u>215,400,000</u>			<u>216,076,235.06</u>	<u>226,784,012</u>
Short-Term Obligations (12.00%)					
		6,072,000	C.I.T. Financial	6,072,000	5.30
		9,859,000	Ford Motor Credit	9,859,000	5.31
		18,450,000	General Motors Acceptance	18,450,000	5.29
		22,838,813.30	Sears Roebuck Acceptance	22,838,813	5.32
		<u>57,219,813.30</u>	Total Short-Term Obligations	<u>57,219,813</u>	
TOTAL INVESTMENTS					
Other Assets, less Liabilities (1.42%)					
Cash		12,183.08		12,183	
Receivable for:					
Investments sold				3,316,125	
Interest				6,607,286.62	6,607,287
Payable for:					
Investments purchased				(3,164,656)	(3,164,656)
Management Fund operating					
expense allocation					
Total Other Assets, less Liabilities					
				<u>(12,525.10)</u>	<u>(12,525)</u>
				<u>6,758,413.35</u>	<u>6,758,414</u>
NET ASSETS					
				\$459,868,262.40	\$476,777,294

# Portfolio Of Investments Illinois Equity Fund

June 30, 1977

Shares		Cost	Market Value	Indicated Yield**
	Common Stocks (86.69%)*			
	Automotive & Related (5.31%)			
52,500	Bendix	\$ 2,121,579.07	\$ 2,100,000	5.00%
30,000	Borg Warner	975,593.75	832,500	5.77
61,000	General Motors	3,606,476.20	4,231,875	9.44
44,600	Gould	1,064,537.70	1,382,600	3.61
35,000	TRW	1,119,421.52	1,365,000	4.10
<u>223,100</u>		<u>8,887,608.24</u>	<u>9,911,975</u>	
	Banking & Financial (1.65%)			
35,000	BankAmerica	744,296.87	848,750	3.30
54,700	Citicorp	1,936,455.84	1,497,413	3.87
30,000	Northwest Bancorp.	573,514.44	723,750	3.98
<u>119,700</u>		<u>3,254,267.15</u>	<u>3,069,913</u>	
	Chemicals (5.41%)			
74,087	Air Products & Chemicals	2,249,741.35	1,796,610	0.82
65,460.88	Big Three Industries	1,510,976.81	2,045,652	1.28
70,000	Diamond Shamrock	2,436,139.00	2,240,000	3.44
60,000	Dow Chemical	2,219,379.61	2,047,500	3.52
28,000	Monsanto	2,161,275.36	1,956,500	4.44
<u>297,547.88</u>		<u>10,577,512.13</u>	<u>10,086,262</u>	
	Cosmetics (0.95%)			
35,000	Avon Products	1,884,967.74	1,767,500	4.36
	Drugs & Health Care (5.63%)			
35,000	American Home Products	1,234,695.60	1,006,250	3.83
65,000	American Hospital Supply	2,175,629.56	1,633,125	2.23
60,000	Baxter Travenol Laboratories	2,153,095.63	1,935,000	0.93
36,000	Johnson & Johnson	3,379,923.89	2,542,500	2.12
10,000	Lilly (Eli)	502,334.12	391,250	3.63
35,000	Merck	2,204,338.20	1,951,250	2.69
28,500	Schering-Plough	1,349,168.20	1,036,687	3.08
<u>269,500</u>		<u>12,999,185.20</u>	<u>10,496,062</u>	
	Electrical & Electronics (8.59%)			
25,000	AMP	738,958.50	681,250	1.76
45,000	Corning Glass Works	3,511,190.52	3,031,875	2.26
47,000	General Electric	2,711,860.62	2,655,500	3.89
35,000	Hewlett-Packard	2,789,197.50	2,765,000	0.51
50,000	RCA	1,440,262.50	1,568,750	3.82
30,000	Reliance Electric	543,144.78	1,005,000	3.28
50,000	Sunbeam	1,172,815.25	1,175,000	4.60
35,000	Texas Instruments	3,205,790.42	3,145,625	1.47
<u>317,000</u>		<u>16,113,220.09</u>	<u>16,028,000</u>	
	Foods, Soaps & Tobacco (8.03%)			
40,000	Colgate-Palmolive	982,492.80	990,000	3.56
125,000	General Foods	3,996,583.00	4,171,875	4.91
100,000	Kraft	4,523,932.96	4,912,500	4.72
20,000	Philip Morris	1,077,632.50	1,115,000	2.96
30,000	Proctor & Gamble	2,629,049.50	2,403,750	3.24
90,000	Ralston Purina	1,234,680.91	1,383,750	2.60
<u>405,000</u>		<u>14,444,371.67</u>	<u>14,976,875</u>	

\* Percentage of total portfolio at market value.

\*\* Based upon market value at June 30, 1977.

# Portfolio Of Investments Illinois Equity Fund (Continued)

June 30, 1977

Shares	Common Stocks	Cost	Market Value	Indicated Yield
	Forest Products & Paper (6.54%)			
150,000	Champion International	\$ 3,657,247.00	\$ 3,187,500	4.71%
49,770	Georgia-Pacific	1,308,261.48	1,555,313	2.56
61,000	International Paper	3,655,892.43	3,141,500	3.88
60,000	Union Camp	3,547,953.92	3,255,000	3.32
30,000	Weyerhaeuser	1,075,112.50	1,068,750	2.25
<u>350,770</u>		<u>13,244,467.33</u>	<u>12,208,063</u>	
	Insurance-Life (3.06%)			
105,000	Franklin Life	2,359,562.50	2,428,125	4.32
177,500	Southwestern Life	3,497,183.67	3,283,750	3.89
<u>282,500</u>		<u>5,856,746.17</u>	<u>5,711,875</u>	
	Insurance Multi-Line (4.29%)			
50,000	Connecticut General	2,565,804.17	2,706,250	2.22
60,000	Ohio Casualty	2,672,500.00	2,940,000	3.51
60,000	U.S. Fidelity & Guaranty	1,574,137.50	2,362,500	4.67
<u>170,000</u>		<u>6,812,441.67</u>	<u>8,008,750</u>	
	Leisure Time & Entertainment (2.68%)			
36,050	Disney (Walt) Productions	1,984,988.71	1,329,343	0.43
20,100	Eastman Kodak	1,776,614.63	1,195,950	3.56
130,000	McGraw-Hill	2,007,558.49	2,470,000	4.21
<u>186,150</u>		<u>5,769,161.83</u>	<u>4,995,293</u>	
	Machinery (2.36%)			
42,200	Caterpillar Tractor	1,928,910.74	2,437,050	2.60
28,000	Ingersoll-Rand	2,142,635.00	1,963,500	3.99
<u>70,200</u>		<u>4,071,545.74</u>	<u>4,400,550</u>	
	Metals & Mining (3.46%)			
90,000	Bethlehem Steel	3,333,561.00	2,778,750	6.48
18,700	Signode	655,922.81	691,900	3.24
75,000	U.S. Steel	3,525,481.00	2,981,250	5.53
<u>183,700</u>		<u>7,514,964.81</u>	<u>6,451,900</u>	
	Office Equipment (9.07%)			
47,500	Burroughs	4,204,386.12	2,962,813	1.28
37,950	International Business Machines	9,477,915.16	10,018,800	3.79
28,700	Minnesota Mining & Mfg.	1,333,076.21	1,417,062	3.44
25,000	Sperry Rand	915,000.00	918,750	3.05
33,000	Xerox	2,788,002.37	1,608,750	3.28
<u>172,150</u>		<u>18,718,379.86</u>	<u>16,926,175</u>	
	Oil (6.74%)			
35,000	Continental Oil	832,286.24	1,185,625	4.13
99,916	Exxon	4,098,354.62	5,345,506	5.61
3,000	Getty Oil	590,300.00	614,250	1.37
37,000	Kerr-McGee	2,632,738.62	2,423,500	1.91
40,000	Standard Oil of California	1,329,421.67	1,670,000	5.75
25,000	Standard Oil (Indiana)	1,065,941.15	1,343,750	4.84
<u>239,916</u>		<u>10,549,042.30</u>	<u>12,582,631</u>	
	Oil Service & Related (0.89%)			
25,000	Halliburton	1,201,613.34	1,668,750	1.86

# Portfolio Of Investments Illinois Equity Fund (Continued)

June 30, 1977

Shares or Par Value	Common Stocks	Cost	Market Value	Indicated Yield
Retailing--General Mdse. (6.11%)				
60,000	Associated Dry Goods	\$ 1,903,060.00	\$ 1,575,000	5.71%
65,000	Federated Department Stores	2,910,097.73	2,405,000	3.95
85,006	K Mart	2,973,564.95	2,422,671	1.96
40,000	Sears Roebuck	3,293,046.78	2,320,000	3.62
62,000	Winn-Dixie Stores	2,727,359.50	2,681,500	3.61
<u>312,006</u>		<u>13,807,128.96</u>	<u>11,404,171</u>	
Retailing--Specialty (2.89%)				
30,000	Eckerd (Jack)	849,583.46	663,750	2.17
27,300	Longs Drug Stores	1,037,710.50	644,963	2.37
105,000	Melville	2,503,354.63	2,480,625	4.06
47,000	Standard Brands Paint	2,088,894.50	1,598,000	1.41
<u>209,300</u>		<u>6,479,543.09</u>	<u>5,387,338</u>	
Transportation (0.29%)				
<u>15,000</u>	Delta Air Lines	<u>509,125.87</u>	<u>536,250</u>	1.96
Utilities--Electric (1.38%)				
80,000	Central & South West	1,510,668.78	1,290,000	7.81
95,000	Gulf States Utilities	1,803,146.30	1,294,375	8.22
<u>175,000</u>		<u>3,313,815.08</u>	<u>2,584,375</u>	
Utilities--Telephone (1.36%)				
<u>40,000</u>	American Tel. & Tel.	<u>1,957,768.75</u>	<u>2,540,000</u>	6.61
<u>4,098,539.88</u>	Total Common Stocks	<u>167,966,877.02</u>	<u>161,742,708</u>	
Convertible Securities (1.97%)				
Atlantic Richfield				
<u>50,000</u>	\$2.80 convertible preferred stock	<u>3,687,500.00</u>	<u>3,681,250</u>	3.80
Short-Term Obligations (9.92%)				
\$ 3,445,000	C.I.T. Financial	3,445,000.00	3,445,000	5.30
1,988,000	Ford Motor Credit	1,988,000.00	1,988,000	5.25
7,567,000	General Motor Acceptance	7,567,000.00	7,567,000	5.31
5,531,000	Sears Roebuck Acceptance	5,516,953.32	5,516,953	5.28
<u>\$18,531,000</u>	Total Short-Term Obligations	<u>18,516,953.32</u>	<u>18,516,953</u>	
TOTAL INVESTMENTS				
		<u>190,171,330.34</u>	<u>183,940,911</u>	
Other Assets, less Liabilities (1.42%)				
Cash				
		62,219.21	62,219	
Receivable for:				
	Investments sold	6,227,090.89	6,227,091	
	Dividends and interest	385,273.14	385,273	
Payable for:				
	Investments purchased	(4,013,439.50)	(4,013,439)	
	Management Fund operating expense allocation	(6,196.51)	(6,197)	
	Total Assets, less Liabilities	<u>2,654,947.23</u>	<u>2,654,947</u>	
NET ASSETS				
		<u>\$192,826,277.57</u>	<u>\$186,595,858</u>	

# Portfolio Of Investments Segregated Investment Funds

June 30, 1977

Par Value or Units		Cost	Market Value	Indicated Yield*
<b>GENERAL ASSEMBLY</b>				
702,014	Illinois Bond Fund Units	\$ 6,764,729.76	\$ 6,642,352	7.74%
309,039	Illinois Equity Fund Units	<u>3,633,536.53</u>	<u>3,202,932</u>	3.84
\$ 42,000	Short-Term Obligations			
	General Motors Acceptance	42,000.00	42,000	5.38
\$ 42,000		<u>42,000.00</u>	<u>42,000</u>	
	TOTAL INVESTMENTS	<u>10,440,266.29</u>	<u>9,887,284</u>	
	Other Assets, less Liabilities			
	Cash	517.99	518	
	Receivable for interest	6.44	6	
	Payable for Management Fund operating expense allocation	(89.38)	(89)	
	Total Other Assets, less Liabilities	<u>435.05</u>	<u>435</u>	
	NET ASSETS	<u>\$ 10,440,701.34</u>	<u>\$ 9,887,719</u>	
<b>JUDGES</b>				
2,850,012	Illinois Bond Fund Units	\$ 26,847,658.93	\$ 26,966,393	7.74%
897,421	Illinois Equity Fund Units	<u>10,824,188.36</u>	<u>9,301,040</u>	3.84
\$ 350,000	Short-Term Obligations			
	General Motors Acceptance	350,000.00	350,000	5.25
171,000	Sears Roebuck Acceptance	<u>171,000.00</u>	<u>171,000</u>	5.25
\$ 521,000		<u>521,000.00</u>	<u>521,000</u>	
	TOTAL INVESTMENTS	<u>38,192,847.29</u>	<u>36,788,433</u>	
	Other Assets, less Liabilities			
	Cash .	2,710.90	2,711	
	Receivable for interest	1,025.34	1,025	
	Payable for Management Fund operating expense allocation	(1,236.33)	(1,236)	
	Total Other Assets, less Liabilities	<u>2,499.91</u>	<u>2,500</u>	
	NET ASSETS	<u>\$ 38,195,347.20</u>	<u>\$ 36,790,933</u>	
<b>STATE EMPLOYEES'</b>				
46,837,396	Illinois Bond Fund Units	\$443,222,447.64	\$443,168,549	7.74%
16,797,456	Illinois Equity Fund Units	<u>195,266,460.12</u>	<u>174,091,886</u>	3.84
\$ 150,000	Short-Term Obligations			
	General Motors Acceptance	150,000.00	150,000	5.38
3,000,000	Sears Roebuck Acceptance	<u>3,000,000.00</u>	<u>3,000,000</u>	5.13
\$ 3,150,000		<u>3,150,000.00</u>	<u>3,150,000</u>	
	TOTAL INVESTMENTS	<u>641,638,907.76</u>	<u>620,410,435</u>	
	Other Assets, less Liabilities			
	Cash	783.61	784	
	Receivable for interest	10,738.24	10,738	
	Payable for Management Fund Operating expense allocation	(12,787.86)	(12,788)	
	Total Other Assets, less Liabilities	<u>(1,266.01)</u>	<u>(1,266)</u>	
	NET ASSETS	<u>\$641,637,641.75</u>	<u>\$620,409,169</u>	

\* Based upon market value at June 30, 1977.

# Transactions – Illinois Bond Fund

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
<hr/>					
BONDS:					
<hr/>					
PURCHASES:					
BENEFICIAL CORP 9.75 DUE 10-15-79	2850	107.936	3,076,187.50		9.033
BRITISH COL HYDRO EL 9.375 DUE 06-15-2007	1500	100.000	1,500,000.00		8.370
CHESAPEAKE POT TEL 8.875 DUE 06-01-2009	1000	101.875	1,018,750.00		8.706
CHESAPEAKE POT TEL 8.25 DUE 04-01-2015	1000	108.250	1,082,500.00		8.545
COMMONWEALTH EDISON 8.125 DUE 01-15-2007	3250	99.500	3,233,750.00		8.160
DU PONT DE NEMOURS 8.45 DUE 11-15-2004	1500	108.208	1,623,125.00		7.809
FFDL HOME LOAN BANKS 7.85 DUE 08-27-84	6000	101.421	6,085,312.50		7.739
FORD MOTOR CR 9.75 DUE 10-01-81	7650	107.542	8,226,966.00		9.066
FORD MTR CO DEL 7.4 DUE 01-15-80	4000	100.875	4,035,000.00		7.335
GENERAL MOTORS ACCEP 7.25 DUE 04-15-80	8500	100.663	8,556,355.00		7.202
GENERAL MOTORS ACCEP 7.85 DUE 11-01-98	5000	97.345	4,867,280.00		8.064
GENERAL MTRS ACCEP 8.0 DUE 01-15-2002	5000	100.000	5,000,000.00		8.000
GENERAL MTPS ACCEP 8.00 DUE 01-15-2002	6000	98.816	5,928,960.00		8.095
GNMA POOL # 14851 7.50 DUE 04-15-2007	1010	96.234	971,971.49		7.793
GNMA POOL # 16814 7.50 DUE 05-15-2007	500	96.234	481,171.87		7.793
GNMA POOL #10158 8.00 DUE 07-15-2006	999	97.750	976,894.71		8.184
GNMA POOL #10753 8.0 DUE 08-15-2006	1000	97.750	977,500.00		8.184
GNMA POOL #11054 8.00 DUE 08-15-2006	5000	97.250	4,862,500.00		8.226
GNMA POOL #11316 8.00 DUE 09-15-2006	1022	97.750	999,279.70		8.184
GNMA POOL #11362 8.00 DUE 09-15-2006	1019	97.750	996,707.88		8.184
GNMA POOL #14296 7.50 DUE 01-15-2007	3978	96.625	3,844,406.51		7.761
GNMA POOL #14786 7.50 DUE 02-15-2007	997	96.625	963,523.18		7.761
GNMA POOL #15540 7.50 DUE 04-15-2007	249	96.218	240,215.55		7.794
GNMA POOL #16336 7.50 DUE 04-15-2007	1010	96.234	972,817.87		7.793

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
GNMA POOL #16396 7.50 DUE 05-15-2007	1009	96.218	971,197.45		7.794
GNMA POOL #16604 7.50 DUE 06-16-2007	1000	96.625	966,250.00		7.761
GNMA POOL #16767 7.50 DUE 05-15-2007	1009	96.218	971,276.23		7.794
GNMA POOL #17160 7.50 DUE 04-15-2007	2020	96.218	1,943,828.19		7.794
GNMA POOL #17185 7.50 DUE 04-15-2007	1007	96.218	969,343.29		7.794
GNMA POOL #17884 7.50 DUE 06-15-2007	1000	96.312	963,125.00		7.787
GNMA POOL #18011 7.50 DUE 06-15-2007	1005	96.312	968,614.81		7.787
GNMA POOL #18032 7.50 DUE 06-15-2007	1000	96.312	963,788.33		7.787
GNMA POOL #6662 8.00 DUE 09-15-2000	895	97.750	874,889.98		8.184
GNMA POOL 10570 7.5 DUE 03-15-2006	999	93.312	932,464.34		8.037
GNMA POOL 10602 7.5 DUE 03-15-2006	2048	93.312	1,911,363.39		8.037
GNMA POOL 10715 8.00 DUE 09-15-2006	1000	99.312	993,125.00		8.055
GNMA POOL 11013 8.00 DUE 08-15-2006	498	102.500	510,833.72		7.804
GNMA POOL 11563 8.00 DUE 10-15-2006	499	102.500	511,546.55		7.804
GNMA POOL 11969 8.00 12-15-2006	999	102.500	1,024,349.68		7.804
GNMA POOL 12072 8.00 DUE 10-15-2006	980	99.312	973,262.50		8.055
GNMA POOL 12082 8.00 DUE 10-15-2006	1000	99.312	993,125.00		8.055
GNMA POOL 12416 8.00 12-15-2006	999	102.500	1,024,366.83		7.804
GNMA POOL 12423 8.00 DUE 10-15-2006	2000	99.312	1,986,250.00		8.055
GNMA POOL 12773 8.00 DUE 12-15-2006	1998	102.500	2,048,703.07		7.804
GNMA POOL 13087 8.00 DUE 12-15-2006	499	102.500	512,188.53		7.804
GNMA POOL 13205 8.00 DUE 12-15-2006	1017	102.500	1,043,417.14		7.804
GNMA POOL 14342 8.00 DUE 01-15-2007	1020	102.500	1,045,500.00		7.804
GNMA POOL 16838 7.50 DUE 05-15-2007	1014	96.312	977,002.03		7.787
GNMA POOL 7189 7.25 DUE 06-15-2005	987	91.812	906,241.75		7.896

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
GNMA POOL 7615 7.25 DUE 08-15-2005	1011	91.812	928,336.92		7.896
GNMA POOL 8435 8.00 DUE 06-15-2006	497	102.499	509,998.52		7.804
HOUSEHOLD FINANCE 8.375 DUE 10-01-2003	2500	99.200	2,480,000.00		8.437
ILLINOIS BELL TEL CO 8.25 DUE 08-18-2016	5000	100.375	5,018,750.00		8.219
INTL BANK RFCON NOTE 8.0 DUE 01-01-80	6350	102.646	6,518,037.50		7.793
INTL BANK RFCON NOTE 8.60 DUE 07-15-85	5000	105.614	5,280,730.00		8.142
INTL BANK RECON NOTE 8.85 DUE 12-15-85	1700	106.307	1,807,219.00		8.324
NATL RURAL UTILITIES 10.5 DUE 11-01-91	5000	110.000	5,500,000.00		9.545
NEW YORK TEL CO 8.625 DUE 06-15-2016	3000	106.472	3,194,160.00		8.096
NEW YORK TEL REF MTG 8.30 DUE 08-15-2012	4500	102.560	4,615,205.00		8.092
PAC NO WEST BELL TEL 8.0 DUE 11-01-2012	2050	104.469	2,141,625.00		8.614
PACIFIC TEL & TEL 8.875 DUE 07-01-2015	1000	100.000	1,000,000.00		8.870
PACIFIC TEL & TEL 9.10 DUE 10-15-84	3500	107.392	3,758,750.00		8.473
PACIFIC TEL & TEL 9.50 DUE 06-15-2011	3500	109.428	3,830,000.00		8.681
PROVINCE OF QUEBEC 9.5 DUE 06-15-2001	1000	101.000	1,010,000.00		9.405
SEARS ROEBUCK 8.0 DUE 04-01-2006	1000	99.875	998,750.00		8.010
SOUTH CENT BELL TEL 8.25 DUE 03-01-2017	3250	99.659	3,238,920.00		8.278
SOUTH CENT BELL TEL 8.2 DUE 04-01-2010	2000	108.393	2,167,870.00		8.487
SOUTHERN BELL TEL 8.125 DUE 05-01-2017	2500	99.500	2,487,500.00		8.160
SOUTHERN CAL IF ED 8.875 DUE 03-01-2000	2000	103.177	2,063,540.00		8.596
SOUTHWEST BELL TEL 8.25 DUE 04-01-2017	7000	99.077	6,935,390.00		8.326
STANDARD OIL OF IND 8.375 DUE 06-15-2005	3000	105.000	3,150,000.00		7.971
U.S. TREAS BOND 7.875 DUE 02-15-2000	3000	101.270	3,038,125.00		7.771
U.S. TREAS BOND 8.375 DUE 8-15-2000	1000	105.750	1,057,500.00		7.914
U.S. TREAS NOTE 6.125 DUE 02-15-82	10100	98.318	9,930,157.88		6.224

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
U S TREAS NOTE 6.25 DUE 11-15-79	5250	99.906	5,245,078.13		6.255
U S TREAS NOTE 6.50 DUE 02-15-80	8320	99.669	8,292,530.00		6.521
U S TREAS NOTE 6.875 DUE 03-31-81	5000	99.969	4,998,400.00		6.872
U S TREAS NOTE 7.25 DUE 02-15-84	1000	100.000	1,000,000.00		7.250
U S TPFAS NOTE 7.5 DUE 03-31-80	8300	102.745	8,527,875.00		7.290
U S TRFAS NOTE 7.75 DUE 11-15-81	5000	103.812	5,190,625.00		7.465
U S TREAS NOTE 7.875 DUE 11-15-82	8500	104.512	8,883,593.75		7.530
WALTER E. HELLER 8.75 DUE 02-01-2002	4000	100.000	4,000,000.00		8.750
WTSC PUBLIC SERVICE 8.20 DUE 02-01-2012	2250	99.600	2,241,000.00		8.232
TOTAL INTERVAL PURCHASES:	225625		228,546,894.27		
TOTAL Y-T-D PURCHASES:	225625		228,546,894.27		
SALES:					
AMERICAN CYANAMID CO 7.375 DUE 04-15-2001	3000	92.646	2,779,380.00	2,851.50	7.955
AMERICAN TEL & TEL 8.625 DUE 02-01-2007	4500	103.966	4,678,500.00	198,421.87	8.291
ANHEUSER BUSCH 7.95 DUE 02-01-99	1000	99.469	994,690.00	7,460.00-	7.992
BELL TEL CO PA 7.50 DUE 05-01-2013	2000	90.170	1,803,400.00		8.317
BELL TEL CO PA 8.75 DUE 07-15-2015	1000	101.875	1,018,750.00	23,750.00	8.588
BELL TEL CO PA 9.625 DUE 07-15-2014	5000	111.751	5,587,570.00	546,820.00	8.609
BELL TEL CO PA 8.0 DUE 08-01-2009	3000	100.847	3,025,410.00	269,280.00	7.932
BFNFFICIAL CORP 9.75 DUE 10-15-79	850	107.232	911,472.00	5,987.43-	9.092
CHESAPEAKE POT TEL 9.25 DUE 04-01-2015	1000	109.000	1,090,000.00	7,500.00	8.486
CHRYSLER CORP 8.0 DUE 11-01-98	1250	83.625	1,045,312.50	197,017.04-	9.566
COMM EDISON LST MTGE 9.0 DUE 10-15-2003	1750	98.680	1,726,900.00	26,920.00	8.107
COMMONWEALTH FDISCN 8.125 DUE 01-15-2007	3250	98.210	3,191,840.00	41,910.00-	8.267
CON FOODS SF DEF 7.375 DUE 11-01-96	2500	94.010	2,350,250.00	223,750.00-	7.839

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
CORNING GLASS WCRKS 7.75 DUE 11-15-98	1750	97.400	1,704,500.00	79,607.50	7.956
DALLAS PWR & LT CO 7.625 DUE 09-01-2002	1000	93.010	930,100.00	112,400.00-	8.192
FEDERATED DFPT STORE 7.125 DUE 03-15-2002	2500	92.632	2,315,800.00	165,450.00-	7.686
GENERAL ELECTRIC 7.5 DUE 03-15-96	6000	95.585	5,735,100.00	210,570.00	7.846
GENERAL ELECTRIC 8.5 DUE 05-01-2004	3500	104.770	3,666,950.00	196,700.00	8.113
GENERAL MOTORS 8.625 DUE 04-01-2005	2000	104.750	2,095,000.00	105,000.00	8.229
GENERAL MOTORS ACCEP 7.85 DUE 11-01-98	6500	97.744	6,353,380.00	13,900.00-	8.031
GENERAL MTRS ACCEP 8.0 DUE 01-15-2002	5000	98.819	4,940,970.00	59,030.00-	8.095
GENERAL MTRS ACCEP 8.00 DUE 01-15-2002	6000	100.125	6,007,500.00	78,540.00	7.990
GNMA POOL #10158 8.00 DUE 07-15-2006	18	100.001	18,853.25	424.19	7.999
GNMA POOL #10752 8.0 DUE 08-15-2006	5	99.997	5,811.85	130.77	8.000
GNMA POOL #11054 8.00 DUE 08-15-2006	128	100.000	128,414.32	3,531.41	7.999
GNMA POOL #11314 8.00 DUE 09-15-2006	12	100.002	12,306.24	276.90	7.999
GNMA POOL #11362 8.00 DUE 09-15-2006	36	99.999	36,752.91	826.94	8.000
GNMA POOL #6662 8.00 DUE 09-15-2000	99	100.000	99,519.01	2,239.18	8.000
GNMA POOL 10010 7.5 DUE 02-15-2006	16	100.007	16,016.16	1,043.56	7.499
GNMA POOL 10570 7.5 DUE 03-15-2006	8	99.984	8,106.70	542.12	7.501
GNMA POOL 10602 7.5 DUE 03-15-2006	84	100.000	84,882.34	5,676.49	7.499
GNMA POOL 10625 7.5 DUE 03-15-2006	51	100.002	51,434.16	3,343.22	7.499
GNMA POOL 10632 7.5 DUE 03-15-2006	61	99.997	61,827.45	4,018.80	7.500
GNMA POOL 10715 8.00 DUE 09-15-2006	18	100.004	18,410.75	126.58	7.999
GNMA POOL 11013 8.00 DUE 08-15-2006	10	100.004	10,178.42	254.45-	7.999
GNMA POOL 11563 8.00 DUE 10-15-2006	7	99.999	7,250.98	181.27-	8.000
GNMA POOL 11969 8.00 12-15-2006	3	100.010	3,240.35	81.01-	7.999
GNMA POOL 12072 8.00 DUE 10-15-2006	6	99.986	6,887.10	47.35	8.001

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
GNMA POOL 12082 8.00 DUE 10-15-2006	17	99.995	17,448.16	119.95	8.000
GNMA POOL 12416 8.00 12-15-2006	12	99.998	12,290.82	307.27-	8.000
GNMA POOL 12423 8.00 DUE 10-15-2006	21	99.994	21,166.72	145.53	8.000
GNMA POOL 12773 8.00 DUE 12-15-2006	6	99.992	6,509.48	162.74-	8.000
GNMA POOL 13087 8.00 DUE 12-15-2006	1	99.995	1,551.93	38.79-	8.000
GNMA POOL 13205 8.00 DUE 12-15-2006	3	99.998	3,280.95	82.03-	8.000
GNMA POOL 14342 8.00 DUE 01-15-2007	6	100.011	6,172.69	154.32-	7.999
GNMA POOL 6349 7.5 DUE 07-15-2005	24	100.000	24,228.09	1,578.61	7.499
GNMA POOL 7189 7.25 DUE 06-15-2005	987	98.730	974,528.36	68,286.61	7.343
GNMA POOL 7615 7.25 DUE 08-15-2005	1011	98.688	997,859.64	69,522.72	7.346
GNMA POOL 8363 7.25 DUE 10-15-2005	2017	98.682	1,990,492.30	117,146.90	7.346
GNMA POOL 8435 8.00 DUE 06-15-2006	10	99.994	10,578.36	264.47-	8.000
GNMA POOL 8590 7.25 DUE 11-15-2005	1496	98.704	1,476,897.89	87,227.97	7.345
GNMA POOL 8591 7.25 DUE 11-15-2005	2494	98.708	2,462,345.84	145,520.28	7.344
GNMA POOL 9042 7.5 DUE 12-15-2005	50	99.996	50,421.29	3,285.26	7.500
GNMA POOL 9048 7.50 DUE 12-15-2005	73	99.999	73,373.43	4,310.71	7.500
GNMA POOL 9062 7.50 DUE 12-15-2005	78	100.000	78,107.06	4,588.79	7.499
GNMA POOL 9063 7.50 DUE 12-15-2005	222	100.000	222,437.26	12,456.49	7.499
GNMA POOL 9426 7.5 DUE 11-15-2005	11	99.991	11,840.01	771.43	7.500
GNMA POOL 9994 7.5 DUE 02-15-2006	75	100.001	75,964.15	4,949.54	7.499
ILLINOIS BELL TEL 7.625 DUE 04-01-2006	2000	94.407	1,888,140.00	78,620.00-	8.071
ILLINOIS BELL TEL 8.0 DUE 12-10-2004	3500	98.668	3,453,380.00	386,570.00	8.107
ILLINOIS BELL TEL 8.25 DUE 08-18-2016	5000	100.243	5,012,170.00	6,580.00-	8.229
INTL BANK RFCON NOTE 8.85 DUE 12-15-85	1000	105.928	1,059,280.00	59,280.00	8.354
MOUNTAIN STATES TEL 7.75 DUE 06-01-2013	2000	100.250	2,005,000.00	5,000.00	7.730

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LCSS	YIELD
MOUNTAIN STATES TEL 9.75 DUE 08-01-2012	500	112.125	560,625.00	45,625.00	8.695
NABISCO INC 7.75 DUE 05-01-2001	2000	96.650	1,933,000.00	55,180.00	8.018
NEW YORK TEL CO 7.50 DUE 03-01-2009	1000	92.082	920,820.00	92,580.00-	8.144
NEW YORK TEL REF MTG 7.375 DUE 12-15-2011	6500	95.075	6,179,875.00	680,295.20	7.751
NORTHERN STATES PWR 7.375 DUE 03-01-2002	500	93.398	466,990.00	76,845.00	7.890
NORTHWESTERN PELL TEL 10.0 DUE 09-01-2014	4500	116.250	5,231,250.00	534,375.00	8.602
PAC NO WEST BELL TEL 7.75 DUE 08-01-2009	1000	100.771	1,007,710.00	23,990.00-	7.690
PFIZER INC 8.5 DUE 04-15-99	1500	103.300	1,549,500.00	114,800.00	8.228
PROCTOR & GAMBLE 7.0 DUE 05-15-2002	3000	90.772	2,723,160.00	36,060.00	7.711
PROCTOR & GAMBLE 8.25 DUE 03-01-2005	1500	108.083	1,621,250.00	141,828.12	7.633
PUBLIC SVC CO IND 8.0 DUE 02-01-2004	1000	99.235	992,350.00	21,100.00	8.061
QUAKER OATS CO 7.7 DUE 06-15-2001	2500	98.000	2,450,000.00	153,775.00	7.857
REYNOLDS RJ TOR 7.875 DUE 09-01-94	1750	99.200	1,736,000.00	124,895.00	7.933
SO NEW ENGLAND TEL 7.75 DUE 06-01-2004	1000	96.510	965,100.00	61,600.00-	8.030
SO WESTERN PELL TEL 7.375 DUE 05-01-2012	1500	98.115	1,471,725.00	75,000.00	7.511
SOUTH CENT PELL TEL 10.0 DUE 09-15-2014	6500	116.000	7,540,000.00	769,132.50	8.620
SOUTH CENT PELL TEL 8.25 DUE 03-01-2017	3250	101.156	3,287,570.00	48,650.00	8.155
SOUTHERN BELL TEL 8.125 DUE 05-01-2017	2500	100.250	2,506,250.00	18,750.00	8.099
SOUTHERN BELL TEL 8.25 DUE 04-15-2016	4500	100.574	4,525,830.00	65,205.00	8.202
SOUTHERN CALIF ED 7.375 DUE 08-15-97	2300	93.609	2,153,025.00	241,918.00	7.873
SOUTHERN CALIF ED 8.875 DUE 03-15-2001	1000	100.750	1,007,500.00	12,500.00	8.803
SOUTHWESTERN PELL TEL 8.25 DUE 03-01-2014	1500	100.090	1,501,350.00	28,850.00	8.242
U S GYPSUM 7.875 DUE 01-01-2004	3500	96.989	3,394,615.00	198,492.00	8.114
U S TREAS BOND 7.875 DUE 02-15-2000	20600	101.430	20,894,625.00	643,055.00	7.759
U S TREAS BOND 8.375 DUE 8-15-2000	1000	106.500	1,065,000.00	7,500.00	7.859

# Transactions – Illinois Bond Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
U S TREAS BOND 8.5 DUE 05-15-99	4400	107.687	4,738,250.00	305,160.77	7.893
U S TREAS NOTE 6.125 DUE 02-15-82	10100	97.832	9,881,093.75	49,064.13-	6.255
U S TREAS NOTE 6.50 DUE 02-15-80	8320	100.151	8,332,600.00	40,070.00	6.490
U S TREAS NOTE 7.25 DUE 02-15-84	1000	100.500	1,005,000.00	5,000.00	7.213
U S TREAS NOTE 7.5 DUE 03-31-80	8300	103.914	8,624,867.08	96,992.08	7.217
U S TREAS NOTE 7.875 DUE 05-15-86	1500	107.187	1,607,812.50	107,812.50	7.342
U S TREAS NOTE 8.25 DUE 05-15-2005	6000	106.031	6,361,875.00	366,342.50	7.780
U S TREAS NOTE 8.5 DUE 09-30-79	5000	105.000	5,250,000.00	245,599.25	8.095
UNION CARBIDE 8.5 DUE 01-15-2005	3000	106.500	3,195,000.00	195,000.00	7.981
XFRONX CORP 8.625 DUE 11-01-99	2750	103.910	2,857,525.00	108,775.00	8.295
TOTAL INTERVAL SALES:	213811		215,997,274.25	7,162,667.14	
TOTAL Y-T-D SALES:	213811		215,997,274.25	7,162,667.14	
<u>CASH EQUIVALENTS</u>					
PURCHASES	567,693		567,237,695.36		
SALES	516,559		516,144,348.73		

# Transactions – Illinois Equity Fund

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
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COMMON STOCK:					
=====					
PURCHASES:					
AIR PRODS & CHEMS	45001	27.807	1,251,342.85		.824
AMER HOSPITAL SUPPLY	60000	33.328	1,999,694.17		2.228
AMERICAN HOME PRODS	7500	29.333	220,000.00		3.826
AMFAC INC	5000	16.322	81,612.50		6.153
AMP INC	12900	30.832	397,738.50		1.761
APA SVCS	7900	50.983	402,770.00		3.161
ASSOCIATED DRY GOODS	60000	31.717	1,903,060.00		5.714
BAXTER TRAVENOL LABS	20000	32.091	641,835.00		.651
RENDIX CORP	38500	41.856	1,611,460.50		5.000
BETHLEHEM STEEL CORP	90000	37.039	3,333,561.00		6.477
BIG THREE INDUSTRIES	34000	32.053	1,089,822.50		1.280
BURROUGHS CORP	5000	89.446	447,230.00		1.282
CARTER HAWLEY HALE	15000	20.127	301,917.00		5.000
CATERPILLAR TRACTOR	3200	55.689	178,206.50		2.597
CHAMPION INTL CORP	75000	24.567	1,842,559.50		4.705
COCA-COLA CO	13700	83.396	1,142,537.50		4.134
CONN GENERAL INSURANCE	38000	55.477	2,108,125.00		2.217
CORNING GLASS WORKS	40750	76.279	3,108,383.25		2.256
DIAMOND SHAMROCK	8000	72.280	578,242.50		3.437
DISNEY WALT PRODTNS	10206	50.549	515,911.60		.433
DOW CHEM CO	16000	37.261	596,185.00		3.516
EASTMAN KODAK	1500	99.280	148,920.00		3.563
FEDERATED DEPT STORES	25000	43.922	1,098,065.00		3.945
FRANKLIN LIFE INS CO	80000	22.986	1,838,937.50		4.324

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
GARDNER-DENVER CO	5000	18.630	93,150.00		4.026
GENERAL FOODS CORP	125000	31.972	3,996,583.00		4.913
GENERAL MILLS INC	13300	31.440	418,156.50		2.983
GEORGIA PAC CORP	17000	29.850	507,450.00		2.560
GETTY OIL CO	3000	196.766	590,300.00		1.367
GOULD INC	21000	28.585	600,300.00		3.612
GULF STS UTILS CO	10000	13.492	134,925.00		8.220
HEWLETT PACKARD CC	30500	76.016	2,318,510.00		.506
INGERSOLL RAND CO	11000	76.133	837,465.00		3.992
INTERNATIONAL PAPER	28000	68.095	1,906,662.50		3.883
INTL BUSINESS MACHINES	2500	257.350	643,375.00		3.787
JOHNSON & JOHNSON	6000	84.347	506,085.00		2.123
K MART CORP.	34000	38.006	1,292,233.00		1.964
KIMBERLY CLARK CORP	6500	43.519	282,875.00		4.718
KRAFT INC.	77500	46.599	3,611,436.00		4.722
LONGS DRUG STORES	1300	33.761	43,890.50		2.370
MCGRAW HILL INC	84500	15.517	1,311,207.00		4.210
MELVILLE CORPORATION	50000	22.733	1,136,649.00		2.031
MERCK & CO INC	9500	55.323	525,577.50		2.690
MINNESOTA MINING & MFG	3700	54.648	202,200.00		3.443
MONSANTO CO	12000	87.387	1,048,646.00		4.436
OHIO CAS CORP	13000	44.730	581,500.00		3.510
PROCTER&GAMBLE CO	16000	86.041	1,376,670.00		3.244
RALSTON PURINA	3400	53.162	180,753.50		2.601
RAYTHEON CO	25000	61.334	1,533,360.00		3.265

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
RCA CORP	50000	28.805	1,440,262.50		3.824
SCHERING PLOUGH CORP	5000	51.207	256,037.50		3.079
SEARS ROEBUCK & CO	4000	66.614	266,457.50		3.620
SIGNODE CORP	3700	40.417	149,545.00		3.243
SOUTHWESTERN LIFE	66000	30.816	2,033,892.00		3.891
SPERRY RAND CORP	25000	36.600	915,000.00		3.047
STANDARD BRANDS PAINT	17000	41.200	700,409.50		1.411
STANDARD OIL CO CALIF	51600	36.009	1,858,071.50		5.748
STERLING DRUG, INC	5000	15.500	77,500.00		4.827
TEXAS INSTRS INC	18500	87.497	1,618,708.00		1.468
U S FIDELITY & GUAR	10000	42.075	420,750.00		4.673
UNION CAMP CORP	59000	59.150	3,489,865.50		3.318
US STEEL CORP	22500	49.218	1,107,415.00		5.534
VIRGINIA ELEC & PWR	25000	15.136	378,400.00		8.198
WEYERHAEUSER CO	30000	35.837	1,075,112.50		2.245
WINN-DIXIE STORES	62000	43.989	2,727,359.50		3.884
<b>TOTAL INTERVAL PURCHASES:</b>	<b>1775157</b>		<b>71,032,862.87</b>		
<b>TOTAL Y-T-D PURCHASES:</b>	<b>1775157</b>		<b>71,032,862.87</b>		
 <b>SALES:</b>					
AETNA LIFE & CAS CO	22000	31.485	692,681.76	74,810.03	4.295
ALLEGHENY PWR SYS	95000	19.933	1,893,704.16	192,029.16	7.814
ALUMINUM CO AMER	12500	54.277	678,464.81	127,374.67	3.396
AMERICAN HOME PRODS	32000	34.361	1,099,562.09	58,136.76-	3.826
AMERICAN TEL&TELEG	34100	62.514	2,131,751.20	483,145.40	6.614
AMFAC INC	55000	15.444	849,461.98	438,550.52-	6.153
ARA SVCS	19950	38.898	776,029.13	252,390.32-	3.161

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
ATLANTIC RICHFIELD	70500	60.899	4,293,441.54	1,261,907.82	2.644
BAKER INT'L CORP.	20000	50.841	1,016,828.50	15,063.08	.777
BANKAMERICA CORP	3000	28.624	85,872.12	22,075.24	3.299
BAXTER TRAVENOL LABS	25000	43.596	1,089,901.04	145,329.79	.651
CAMPBELL SOUP CO	17000	33.184	564,128.53	12,585.87-	3.856
CAROLINA PWR & LT CO	45000	23.034	1,036,552.81	159,852.81	6.778
CARTER HAWLEY HALE	35000	17.690	619,154.24	113,957.76-	5.000
CRS INC	14000	58.108	813,514.04	117,741.04	3.397
CENTRAL & SO WEST	5000	15.852	79,262.82	15,153.98-	7.814
COCA-COLA CO	33400	45.252	1,511,430.40	233,642.03-	4.134
COLGATE PALMOLIVE CO	22000	26.619	585,625.00	69,668.58-	3.555
COMMONWEALTH EDISON	42000	31.416	1,319,503.33	75,692.28	7.773
CONTINENTAL OIL CO	43000	32.765	1,408,895.36	386,372.27	4.132
DEERE & CO	16000	32.167	514,682.72	163,893.52	4.210
DOW CHEM CO	2000	41.248	82,497.23	829.49	3.516
DU PONT DE NEMOURS	6000	132.845	797,073.34	268,864.16-	4.741
EASTMAN KODAK	5000	84.081	420,405.89	30,927.59-	3.563
EXXON CORP	58300	50.730	2,957,559.23	618,209.71	5.607
FEDERAL NATL MTG ASSN	46000	14.680	675,279.88	382,666.40-	6.015
FLORIDA PWR&LT	26500	24.201	641,328.49	212,139.97-	5.751
FORD MTR CO DEL	18000	58.938	1,060,897.02	175,910.33-	6.826
GARDNER-DENVER CO	25000	17.288	432,204.19	158,753.91-	4.026
GATX CORPORATION	27500	30.182	830,015.92	256,739.54-	6.153
GENERAL ELEC CO	1000	58.085	58,085.55	386.39	3.893
GENERAL MILLS INC	30000	29.898	896,957.49	19,630.99	2.983

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
GENERAL TEL ELECT	27000	27.484	742,084.85	84,762.91	6.153
GEORGIA PAC CORP	1502	36.632	55,022.11	21,324.38	2.560
GOODYEAR TIRE&RUBR	10000	22.216	222,167.53	18,295.53	5.465
GOULD INC	17400	33.014	574,454.26	159,141.34	3.612
GULF OIL CORP	20000	27.867	557,343.83	89,773.33	6.428
HALLIBURTON CO	14000	58.786	823,014.96	150,111.49	1.857
HART SCHAFFNER&MARX	75000	12.482	936,212.04	866,120.59-	5.938
ILLINOIS PWR CO	35000	26.631	932,093.76	359,013.87	7.753
INTL TEL & TEL CORP	22000	30.042	660,940.34	519,884.13-	4.905
KAUFMAN & BROAD INC	29000	7.882	228,577.63	653,329.41-	2.169
KIMBERLY CLARK CORP	26500	42.979	1,138,961.92	155,901.67	4.718
LINCOLN NATL CORP	17200	31.447	540,898.34	36,445.34-	4.675
LOUISIANA LAND & EXPLO	25000	27.169	679,239.12	273,959.14-	4.363
MARSH & MCLENNAN COS	23000	53.835	1,238,209.10	333,403.20	2.666
MARSHALL FIELD & CO	40000	17.534	701,362.11	136,167.06-	6.239
MCDERMOTT J RAY	18000	48.623	875,216.38	14,169.62-	2.776
MINNESOTA MINING & MFG	5000	60.535	302,677.34	114,542.82-	3.443
MOBIL CORPORATION	26000	59.517	1,547,455.72	224,004.44	5.000
MORGAN J P & CO INC	6700	56.715	379,994.52	75,707.28	3.970
NEWMONT MINING CORP	15000	26.979	404,698.90	62,437.31-	6.736
NLT CORP	60000	22.028	1,321,718.24	119,690.89-	2.951
PENNZOIL CO	25000	29.691	742,287.65	198,918.88	5.236
PEPSICO INC	10000	80.469	804,694.26	30,067.41	3.555
PHILIP MORRIS, INC	55000	62.370	3,430,347.91	718,912.42	2.959
POLAROID CORP	5000	38.196	190,981.08	218,854.94-	1.593

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
RAYTHEON CO	60000	42.253	2,535,190.22	295,140.22	3.265
RELIANCE ELEC CO	15000	34.155	512,332.83	240,760.44	3.582
RICHARDSON-MERRILL	42500	21.159	899,257.39	263,430.42-	3.500
SANTA FE INTERNATIONAL	12000	36.055	432,667.99	13,726.23-	1.078
SEARS ROEBUCK & CO	14000	62.338	872,741.26	438,880.96-	3.620
SHELL OIL CO	15000	67.515	1,012,728.58	308,929.60	9.275
SKYLINE CORP	20000	17.381	347,637.80	202,818.26-	2.461
SOUTHERN NAT RES	8000	52.253	418,028.50	70,015.50-	3.210
SOUTHWESTERN LIFE	2500	22.000	55,000.00	9,104.17	3.891
STANDARD OIL CO CALIF	41600	41.628	1,731,728.59	349,130.05	5.748
STANDARD OIL CO IND	82000	54.495	4,468,657.92	744,829.79	4.837
STERLING DRUG, INC	65000	13.919	904,754.65	424,186.30-	4.827
TAMPA ELECTRIC CO	55000	17.589	967,408.45	237,648.23	5.670
TEXACO INC	32500	26.908	874,514.39	123,280.19-	6.867
TEXAS GAS TRANSMISSION	5000	38.256	191,281.06	9,171.11	5.189
TEXAS UTILITIES CO	88600	20.018	1,773,593.93	136,422.14-	6.511
TRW INC	5000	37.293	186,468.73	26,551.37	4.102
UNION CARBIDE CCRP	12000	64.774	777,292.50	148,844.63	5.728
UTAH INTERNATIONAL	18000	63.611	1,145,011.63	522,913.37	1.894
VIRGINIA ELEC & PWR	25000	15.027	375,674.89	2,725.11-	8.198
WALTER JIM CORP	15000	28.675	430,135.56	108,424.31	4.117
WARNER LAMBERT CO	24000	33.207	796,985.69	83,505.38-	3.842
WESTERN BANCORPORATION	18000	23.575	424,363.18	242,306.07-	5.042
XEROX CORP	13500	61.256	826,968.47	604,415.00-	3.282
TOTAL INTERVAL SALES:	2204252		74,903,829.92	1,183,728.60	
TOTAL Y-T-D SALES:	2204252		74,903,829.92	1,183,728.60	

# Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
-----					
PREFERRED STOCK:					
=====					
<b>PURCHASES:</b>					
ATLANTIC RICHFIELD PREF CV \$2.80	50000	73.750	3,687,500.00		3.803
<b>TOTAL INTERVAL PURCHASES:</b>	<b>50000</b>		<b>3,687,500.00</b>		
<b>TOTAL Y-T-D PURCHASES:</b>	<b>50000</b>		<b>3,687,500.00</b>		
<b>SALES:</b>					
REYNOLDS R J INDS PFD B \$2.25	3000	63.905	191,716.07	27,533.10-	2.922
<b>TOTAL INTERVAL SALES:</b>	<b>3000</b>		<b>191,716.07</b>	<b>27,533.10-</b>	
<b>TOTAL Y-T-D SALES:</b>	<b>3000</b>		<b>191,716.07</b>	<b>27,533.10-</b>	
<b>CAPITALIZATION:</b>					
AIR PRODS & CHEMS	14,926		3.02		.824
ATLANTIC RICHFIELD	34,500		2.00		2.644
BANKAMERICA CORP	19,000		2.00		3.299
BIG THREE INDUSTRIES	31,460		3.02		1.280
CATERPILLAR TRACTOR	13,000		1.50		2.597
COCA-COLA CO	13,700		2.00		4.134
DEERE & CO	8,000		2.00		4.210
DIAMOND SHAMROCK	35,000		2.00		3.437
DISNEY WALT PRODTNS	1,050		1.03		.433
EXXON CORP	79,108		2.00		5.607
GEORGIA PAC CORP	11,850		2.52		2.560
GOULD INC	15,000		1.50		3.612
NORTHWEST BANCORP	15,000		2.00		3.979
RALSTON PURINA	60,000		3.00		2.601

## Transactions – Illinois Equity Fund (Continued)

July 1, 1976 to June 30, 1977

SECURITY DESCRIPTION	SHRS/ PAR	UNIT C/P	TOTAL C/P	REALIZED GAIN/LOSS	YIELD
RAYTHEON CO	20,000		2.00		3.265
SOUTHWESTERN LIFE	60,000		1.50		3.891
U S FIDELITY & GUAR	20,000		1.50		4.673
TOTAL INTERVAL CAPITALIZATION:	451,594				
TOTAL Y-T-D CAPITALIZATION:	451,594				
<u>CASH EQUIVALENTS:</u>					
PURCHASES	146,001		145,903,585.54		
SALES	137,781		137,690,578.65		

# Transactions – Segregated Investment Funds

July 1, 1976 to June 30, 1977

<u>GENERAL ASSEMBLY INVESTMENT FUND</u>	<u>Par Value or Units</u>	<u>Unit Amount</u>	<u>Total Cost or Proceeds</u>
<b>PURCHASES</b>			
Cash equivalents	2,274,000		\$ 2,274,000.00
Illinois Bond Fund units	74,163	9.247	685,793.38
Illinois Equity Fund units	11,138	10.681	118,961.62
Total purchases			<u>3,078,755.00</u>
<b>SALES</b>			
Cash equivalents	2,678,000		2,678,000.00
Total sales			<u>2,678,000.00</u>
<b>JUDGES INVESTMENT FUND</b>			
<b>PURCHASES</b>			
Cash equivalents	4,223,000		\$ 4,216,702.22
Illinois Bond Fund units	428,670	9.271	3,974,156.52
Illinois Equity Fund units	41,691	10.618	442,691.15
Total purchases			<u>8,633,549.89</u>
<b>SALES</b>			
Cash equivalents	3,971,000		3,964,702.22
Total sales			<u>3,964,702.22</u>
<b>STATE EMPLOYEES' INVESTMENT FUND</b>			
<b>PURCHASES</b>			
Cash equivalents	31,240,000		\$31,200,359.33
Illinois Bond Fund units	6,324,715	9.246	58,475,534.99
Illinois Equity Fund units	920,556	10.592	9,750,827.14
Total purchases			<u>99,426,721.46</u>
<b>SALES</b>			
Cash equivalents	31,415,000		31,375,359.33
Total sales			<u>31,375,359.33</u>

# Investment Transactions With Brokers And Dealers

Year Ended June 30, 1977

## Transaction Executed Involving Commissions

### Equity Securities

#### Stock Exchange Transactions

American Securities	\$ 2,583.50
Bache Halsey Stuart Inc.	2,875.00
Bacon, Whipple & Co.	140.60
Bateman Eichler, Hill Richards, Inc.	375.00
Bear, Stearns & Co.	20,575.00
Becker Securities Corp.	1,700.00
Blair (William) & Co.	7,319.00
Blyth Eastman Dillon & Co., Inc.	11,370.00
Brown Brothers Harriman & Co.	3,463.00
Chicago (The) Corporation	2,905.00
Dillon Read & Co., Inc.	1,670.00
Donaldson, Lufkin & Jenrette Sec. Corp.	39,230.00
Drexel Burnham Lambert Inc.	24,959.00
Eberstadt (F.) & Co., Inc.	551.00
Eppler, Guerin & Turner, Inc.	1,470.00
Faulkner, Dawkins & Sullivan, Inc.	11,544.00
First (The) Boston Corp.	10,782.00
First Manhattan Co.	650.00
Goldman, Sachs & Co.	65,110.17
Hutton (E.F.) & Co., Inc.	8,737.50
Jefferies & Co.	1,829.50
Kidder, Peabody & Co., Inc.	21,824.00
Kuhn, Loeb & Co., Inc.	35,058.00
Lawrence (Cyrus J.) Inc.	12,010.00
Lehman Brothers Inc.	10,910.00
Mesirow & Co.	600.00
Merrill Lynch, Pierce, Fenner & Smith, Inc.	30,904.00
Mitchell, Hutchins Inc.	19,639.00
Morgan Stanley & Co., Inc.	59,508.00
Oppenheimer & Co., Inc.	33,419.00
Paine, Webber, Jackson & Curtis, Inc.	5,081.00
Robinson-Humphrey (The) Co., Inc.	5,255.00
Roulston & Co., Inc.	1,492.00
Salomon Brothers	10,550.00
Shields Model Roland Securities, Inc.	1,500.00
Smith Barney, Harris Upham & Co., Inc.	1,000.00
Spencer Trask & Co., Inc.	410.00
Sutro & Co., Inc.	800.00
Troster, Singer & Co.	625.00
Wainwright Securities Inc.	10,510.00
Weeden & Co., Inc.	11,200.00
Wertheim & Co., Inc.	9,185.00
White, Weld & Co., Inc.	11,250.00
Witter (Dean) & Co., Inc.	450.00
Witter (William D.), Inc.	125.00
Wood, Struthers & Winthrop Inc.	1,320.00
Total Equity Securities	\$ 514,464.27

# Investment Transactions With Brokers And Dealers (Continued)

Year Ended June 30, 1977

Transactions Executed on a Net Basis  
Commissions Not Separately Stated

<u>Equity Securities Syndicate Transactions</u>	<u>Par Value or Number of Shares</u>	<u>Transaction Value</u>
Bacon, Whipple & Co.	2,000	\$ 73,500
Chicago (The) Corporation	2,000	52,000
Drexel Burnham Lambert Inc.	1,000	69,000
Faulkner, Dawkins & Sullivan, Inc.	2,000	138,000
Goldman, Sachs & Co.	4,000	104,000
Kidder, Peabody & Co., Inc.	2,500	65,000
Kuhn, Loeb & Co., Inc.	2,500	172,500
Lawrence (Cyrus J.) Inc.	2,000	138,000
Lehman Brothers Inc.	1,000	26,000
Mitchell, Hutchins Inc.	2,500	52,000
Morgan Stanley & Co., Inc.	8,500	586,500
Oppenheimer & Company, Inc.	500	13,000
Spencer Trask & Co., Inc.	1,500	82,000
Wainwright Securities Inc.	1,000	26,000
White, Weld & Co., Inc.	1,000	26,000
Wood, Struthers & Winthrop Inc.	2,000	95,000

Equity Securities  
Third market and/or over the counter  
transactions

Goldman, Sachs & Co.	168,500	5,706,188
Jefferies & Co.	36,450	1,394,968
Merrill Lynch, Pierce, Fenner & Smith, Inc.	35,200	877,525
Shields Model Roland Securities, Inc.	5,000	137,500
Weeden & Co., Inc.	5,000	298,438

# Investment Transactions With Brokers And Dealers (Continued)

Year Ended June 30, 1977

## Transactions Executed on a Net Basis

### Commissions Not Separately Stated

#### Fixed Income Securities

##### Syndicate transactions

	Par Value or Number of Shares	Transaction Value
Bear, Stearns & Co.	\$ 1,450,000	\$ 1,444,700
Blair (William) & Co.	500,000	496,000
Drexel Burnham Lambert Inc.	600,000	599,600
Faulkner, Dawkins & Sullivan, Inc.	1,000,000	996,000
First (The) Boston Corp.	1,400,000	1,397,400
Goldman, Sachs & Co.	500,000	496,000
Hutton (E.F.) & Co., Inc.	1,000,000	995,250
Kuhn, Loeb & Co., Inc.	1,000,000	1,000,000
Merrill Lynch, Pierce, Fenner & Smith, Inc.	2,250,000	2,244,000
Morgan Stanley & Co., Inc.	2,500,000	2,500,000
Paine, Webber, Jackson & Curtis, Inc.	1,000,000	1,000,000
Rothschild (L.F.) & Co.	200,000	199,200
Salomon Brothers	5,500,000	5,469,000
Smith Barney, Harris Upham & Co., Inc.	2,000,000	1,990,000
Wertheim & Co., Inc.	1,000,000	990,760
White, Weld & Co., Inc.	350,000	349,600
Witter (Dean) & Co., Inc.	3,750,000	3,731,750

#### Fixed Income Securities

##### Secondary market transactions

##### Government obligations

Bear, Stearns & Co.	2,000,000	2,071,250
Drexel Burnham Lambert Inc.	1,000,000	1,039,480
First (The) Boston Corp.	20,841,000	20,864,668
First (The) National Bank of Chicago	9,980,000	10,017,638
Goldman, Sachs & Co.	5,500,000	5,783,655
Harris Trust & Savings Bank	26,520,000	26,528,213
Kuhn, Loeb & Co., Inc.	15,583,000	15,953,033
Merrill Lynch, Pierce, Fenner & Smith, Inc.	26,000,000	23,707,469
Morgan Stanley & Co., Inc.	4,000,000	4,059,375
Paine, Webber, Jackson & Curtis, Inc.	10,039,000	10,154,483
Salomon Brothers	76,627,000	76,929,102

#### Fixed Income Securities

##### Secondary market transactions

##### Corporate obligations

Bear, Stearns & Co.	18,500,000	18,238,010
Drexel Burnham Lambert Inc.	5,250,000	5,208,153
First (The) Boston Corp.	36,000,000	36,708,760
Goldman, Sachs & Co.	5,500,000	5,399,615
Hutton (E.F.) & Co., Inc.	10,750,000	10,604,480
Lehman Brothers, Inc.	3,000,000	3,244,375
Merrill Lynch, Pierce, Fenner & Smith, Inc.	12,000,000	12,283,230
Morgan Stanley & Co., Inc.	24,200,000	24,278,063
Paine, Webber, Jackson & Curtis, Inc.	7,500,000	8,378,490
Salomon Brothers	72,950,000	74,692,433
Smith Barney, Harris Upham & Co., Inc.	2,000,000	1,979,150
Weeden & Co., Inc.	2,500,000	2,481,250
Wertheim & Co., Inc.	7,550,000	7,668,695
Witter (Dean) & Co., Inc.	9,000,000	9,005,625

## Portfolio Data – Illinois Bond Fund

	Fiscal Years Ending June 30th		
	1977	1976	1975
Total Net Assets at Market*	\$476.8	\$393.5	\$299.4
Net Investment Income*	34.6	28.9	22.7
Net Realized and Unrealized Gain on Investments*	19.9	6.4	7.0
Total Return	13.2%	10.2%	11.2%
Average Maturity	20 years	25 years	28 years
Average Coupon	8.4%	8.4%	8.4%
Average Quality (AAA=4, AA=3)	3.7	3.6	3.5

\* In \$ millions

### Maturity Distribution

Cash & Equivalents	12.2%	3.3%	6.6%
1 - 5	18.4	4.2	--
6 - 10	4.8	5.7	--
11 - 15*	12.1	5.0	0.5
16 - 20	0.4	2.9	0.9
21 - 25	19.0	30.2	39.4
26 - 30	19.9	27.0	33.0
over 30	13.2	21.7	19.6
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\*GNMA securities with approximately 30 year final maturities and estimated average lives of 12 years included here.

### Quality Analysis

U.S. Government & Agency	40%	30%	24%
AAA	29	40	40
AA	25	24	23
A or less (excluding cash & equivalents)	6	6	13
	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Industry Diversification

U.S. Government & Agency	34.8%	29.4%	22.5%
Canadian	4.8	4.9	3.4
Telephone	16.1	24.1	20.6
Electric/Gas Utilities	6.5	6.8	6.0
Industrial	19.4	30.3	39.5
Bank and Finance	6.2	1.2	1.5
Cash and Equivalents	12.2	3.3	6.5
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## Portfolio Data - Illinois Equity Fund

	Fiscal Years Ending June 30th		
	1977	1976	1975
Total Net Assets at Market*	\$186.6	\$190.5	\$174.0
Net Investment Income*	6.9	6.3	6.8
Net Realized and Unrealized Gain on Investments*	(14.3)	10.2	16.2
Total Return	( 3.4)%	9.4%	15.3%

\* In \$ millions

### Five Largest Industry Positions

	Illinois Equity Fund	S&P 500
Oil & Oil Service	9.6%	18.1%
Office Equipment	9.2	9.1
Foods, Soap, Tobacco & Cosmetics	8.8	9.4
Electrical & Electronics	8.5	6.0
Forest Products & Paper	6.5	3.1

### Fifteen Largest Holdings

Security	Market Value	Percent Illinois Equity Fund
I.B.M.	\$ 10,018,800	5.4%
Exxon Corp.	5,345,506	2.9
Kraft Inc.	4,912,500	2.6
General Motors Corp.	4,231,875	2.3
General Foods Corp.	4,171,875	2.2
Atlantic Richfield (conv. preferred)	3,681,250	2.0
Southwestern Life Corp.	3,283,750	1.8
Union Camp Corp.	3,255,000	1.7
Champion International Corp.	3,187,500	1.7
Texas Instruments Inc.	3,145,625	1.7
International Paper Co.	3,141,500	1.7
Corning Glass Works	3,031,875	1.6
U.S. Steel Corp.	2,981,250	1.6
Burroughs Corp.	2,962,812	1.6
Ohio Casualty	2,940,000	1.6

### Major Purchases

General Foods	\$3,996,583
Atlantic Richfield(conv.preferred)	3,687,500
Kraft	3,611,436
Union Camp	3,489,865
Bethlehem Steel	3,333,561
Corning Glass Works	3,108,383
Winn-Dixie	2,727,359
Hewlett Packard	2,318,510
Connecticut General Insurance	2,108,125
Southwestern Life Corp.	2,033,892

### Major Sales

Standard Oil Company of Indiana	\$4,468,658
Atlantic Richfield(common)	4,293,441
Philip Morris	3,430,348
Exxon	2,957,559
Raytheon	2,535,190
American Tel. & Tel.	2,131,751
Allegheny Power Systems	1,893,704
Texas Utilities	1,773,594
Standard Oil Company of California	1,731,729
Mobil Corporation	1,547,456

# Board Membership

## Chairman

Judge Robert J. Downing  
Chairman, Board of Trustees  
Judges Retirement System of Illinois

## Vice Chairman

A. D. VanMeter, Jr.  
Appointed Member

## Recording Secretary

Donald A. Belgrad  
Appointed Member

Senator Robert J. Egan  
Chairman, Illinois Public Employees  
Pension Laws Commission

G. Ross Forbes, Jr.  
Chairman, Board of Trustees  
State Employees' Retirement System of Illinois

Elaine C. Mason  
Appointed Member

Representative William A. Redmond  
Chairman, Board of Trustees  
General Assembly Retirement System

Donald R. Smith  
Treasurer, State of Illinois

Daniel D. Sugerman  
Appointed Member

## Accounting and Audit Committee

Judge Robert J. Downing  
Elaine C. Mason  
Daniel D. Sugerman, Chairman

## Executive Committee

Donald A. Belgrad  
Judge Robert J. Downing, Chairman  
Senator Robert J. Egan  
A. D. VanMeter, Jr.

## Investment Policy Committee

Donald A. Belgrad  
Judge Robert J. Downing  
Senator Robert J. Egan  
Donald R. Smith  
A. D. VanMeter, Jr., Chairman

## Staff

DIRECTOR  
Richard A. LaPoint

SENIOR PORTFOLIO MANAGERS  
Larry G. Darlington  
Donald L. Wampach

FINANCIAL OFFICER  
Walter W. Reider

## Investment Counsel

Continental Illinois National Bank and  
Trust Company  
Chicago, Illinois

## Custodian

Harris Trust and Savings Bank  
Chicago, Illinois

## Legal Counsel

Robert A. Tingler

## Consulting Actuary

A. A. Weinberg



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1977/78

# ILLINOIS STATE BOARD OF INVESTMENT

ANNUAL REPORT

ANNUAL REPORT

1977-1978

ILLINOIS STATE BOARD OF INVESTMENT

1978

## TABLE OF CONTENTS

Financial Summary Comparison-Fiscal Years 1978 and 1977	1
Review of Operations	2
Financial Summary-Five Year History	5
Financial Statements	
Commingled Investment Funds	6-7
Segregated Investment Funds	8-9
Management Fund	10
Notes to Financial Statements	11-12
Accountants' Report	13
Supplemental Financial Information	
Portfolios	
Illinois Bond Fund	15-17
Illinois Equity Fund	18-20
Segregated Investment Funds	21
Transactions	
Illinois Bond Fund	22-23
Illinois Equity Fund	24-26
Segregated Investment Funds	27
Brokers and Dealers Used	28-30
Portfolio Data	
Illinois Bond Fund	31
Illinois Equity Fund	32
Board Members	Inside back cover
Compliance Audit Report - See separate document on file with the Auditor General of the State of Illinois.	

**Fiscal Years Ending June 30** (At market value — in \$ millions)

	<b>1978</b>	<b>1977</b>	<b>Change</b>
Illinois Bond Fund	\$505.8	\$476.8	\$ 29.0
Illinois Equity Fund	204.1	186.6	17.5
Other (net)	4.2	3.7	0.5
	<hr/> <b>\$714.1</b>	<hr/> <b>\$667.1</b>	<hr/> <b>\$ 47.0</b>
Income Distributed	\$ 46.9	\$ 40.9	\$ 6.0
Net Appreciation (Depreciation)	(38.3)	6.0	(44.3)
New Money Contributions	38.4	32.2	6.2
Total Return*	1.3%	7.5%	(6.2)%
Average Income Yield*	6.8	6.5	0.3
Statutory Equity Ratio	30.6%	30.4%	0.2%
Retirement System Participation			
General Assembly	\$ 9.9	\$ 9.9	\$ —
Judges	39.9	36.8	3.1
State Employees'	664.3	620.4	43.9
Management Fund			
Total Expenses (000)	\$387	\$444	\$(57)
Percent — average net assets	.06%	.07%	(.01)%

\* Total Return is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash inflow. Average Income Yield is the income earned for the year divided by the average market value of assets employed.



**Illinois State Board of Investment**  
180 North LaSalle Street, Suite 905  
Chicago, Illinois 60601

August 25, 1978

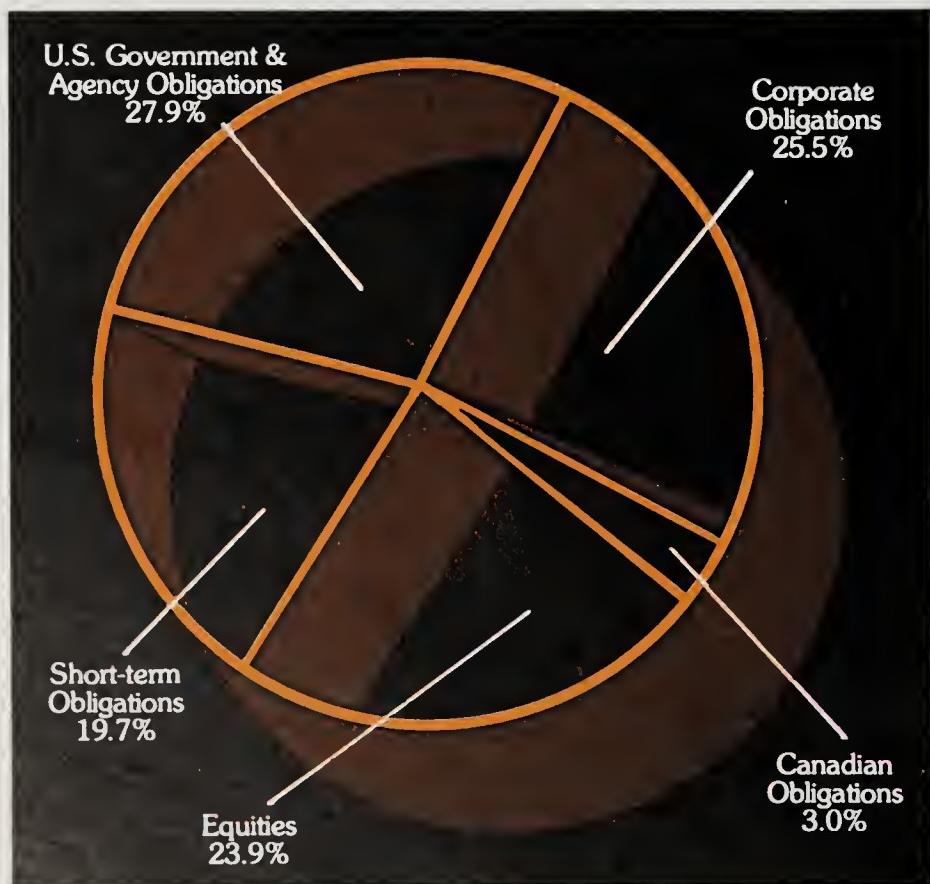
**Trustees:** The General Assembly Retirement System  
The Judges Retirement System of Illinois  
The State Employees' Retirement System of Illinois

The Illinois State Board of Investment is pleased to submit herewith its Annual Report for the fiscal year ending June 30, 1978.

#### **Investment Position**

At year end, the market value of the total assets under management was \$714.1 million, reflecting an increase of \$47.0 million from the end of fiscal year 1977. The increase represented income earned during the fiscal period of \$46.9 million, plus the net of annual contributions in the amount of \$38.4 million, less net depreciation in the fund of \$38.3 million. \$709.9 million of the \$714.1 million was invested in the Illinois Bond Fund and the Illinois Equity Fund, the remainder of the \$4.2 million representing income and new money contributions to be allocated to the Commingled Investment Funds. The distribution of the security holdings among the major security classifications is summarized as follows:

#### **Diversification Summary, June 30, 1978**



#### **Investment Policy and Strategy**

The economic climate during the past fiscal year witnessed continued spiraling inflation, worldwide pressure on the dollar, and soaring interest rates both short and long term. From the 1st of July, 1977, to the 30th of June, 1978, three-month commercial paper interest rates increased 2.42% and new long AA-rated utility issues increased from 8.20% to 9.25%. The rapid rise of interest rates was triggered primarily by the increased money supply, inflation, and the anticipation of continued inflation. These factors combined to produce a marked weakness in the bond market and an uncertain and volatile stock market.

Faced with such an economic environment, the Board's investment policy remained cautious in tone and focused on the preservation of capital coupled with maximization of total return for the long term. Total return is customarily defined as the combined effect of appreciation and earned income. In establishing such a policy, the Board remained fully cognizant of the fiduciary nature of its responsibilities and aware of the funding level of the member retirement systems. The overall strategy adopted by the Board in fiscal year 1978 can best be described as defensive in posture both for the Illinois Bond Fund and the Illinois Equity Fund.

#### **Illinois Bond Fund**

In the Illinois Bond Fund, this defensive strategy, based on an anticipation of increasing interest rates and lower bond values, was reflected in an increase of cash reserves and shorter maturity holdings. Illustrative of the more significant changes resulting from this strategy was the cash reserve position which at the beginning of the year was at 12.2%, rising during the year to a high of 27.1% and tapering off at year end to 19.5% for a net change of 7.3%. Issues with maturities of one to five years and eleven to fifteen years were increased while holdings in maturities of 1999 and later were reduced. Holdings in the eleven to fifteen year category represent primarily Government National Mortgage Association (GNMA) mortgage-backed, pass-through securities and Federal Home Loan Mortgage Corporation mortgage participation certificates. The increase in this category is based entirely on the purchase of the latter which was a new holding for the Fund this year. The implementation of this strategy resulted in a slight increase in the average interest rate while shortening the overall average maturity. The impact of the strategy can be seen more fully by the total return of the Illinois Bond Fund which was 2.1% in fiscal 1978, versus

the total return of Salomon Brothers High Grade Index which was negative 0.8% for the same period. While the overall performance of the Bond Fund dropped considerably from fiscal 1977, it is totally reflective of the overall weak market conditions which existed in the fiscal period. An additional impact of the defensive strategy will be felt in fiscal 1979 when the Board anticipates peaking of interest rates and a reduction in the defensiveness of the portfolio by employing the cash reserves in favor of investing in what is anticipated to be historically attractive long-term interest rates.

#### **Illinois Equity Fund**

In light of the investment climate during fiscal 1978, the Board chose to keep the long-term equity limit at 30%. However, due to existing market conditions, the equity portfolio at market value was well below the maximum and closed the year at 23.9%. In keeping with the near-term cautious outlook, the Board felt it prudent to increase the cash reserve position over the 11.2% of the previous year end. Soaring interest rates, the international monetary scene, and continued inflation created a very uncertain market. Consequently, throughout most of the year, the cash reserve position ranged between 15-20%, frequently near the upper end. The year end cash reserve position was 19.3%.

The Board's continued emphasis on total return on the Equity Fund and the implementation of this policy was reflected in the increased purchase of utilities (communication and electric) and oils (domestic and international) effecting, in the Board's opinion, a greater current yield and dividend growth potential. For the first time, the Board approved substantial utilization of convertible securities as part of the equity holdings. During the year, several instances arose when the premium spread between the convertible and the related common stock reached narrow levels, which made the significant current yield differential even more attractive. The switch into the convertible securities also afforded the opportunity to realize significant gains on the common stock. Currently, there are three convertible securities in the portfolio. Another major trend which commenced in fiscal 1977 and continued into fiscal 1978 was the Board's concerted effort to effect a reduction in the total number of issues held in the equity portfolio. Despite the addition of new issues to the approved list, the number of issues was reduced from 79 to 68. The Board will continue this program in fiscal 1979. The performance of the equity portfolio, while still not on the positive side, showed a marked improvement over the previous year. The total return for fiscal year 1978, was a negative 1.1%, as opposed to a negative 3.4% a year ago.

#### **Turnover**

In the active management of investments there is a significant need to be responsive to changing fundamentals and market factors, although trading for short-term gains is not the generally accepted policy for long-term pension funds. Activity in both the Illinois Bond Fund and the Illinois Equity Fund remained at about the same level as in fiscal year 1977. Turnover is measured by dividing the average

market value of the securities owned (excluding cash and cash equivalents) into the lesser of purchases or sales. The turnover figures for the Illinois Bond Fund and the Illinois Equity Fund covering the past four fiscal years are as follows:

		<b>Turnover Analysis</b>	
		<b>Fiscal Years</b>	
		<b>Illinois Bond Fund</b>	<b>Illinois Equity Fund</b>
1978	50%	1978	40%
1977	54	1977	43
1976	21	1976	21
1975	96	1975	17

#### **Results**

Investment results for a pension fund are most commonly reported as the dollar-weighted return. Computation of the dollar-weighted return takes into account the timing of new money contributions and, accordingly, the period during which earnings occur. For the total assets under management the return was 1.3% in fiscal 1978 as opposed to 7.5% in fiscal 1977. The income yield on the average market value of total assets increased in fiscal 1978 to 6.8%, the highest annual yield since 1975.

In addition, the Board compares the performance of each Commingled Fund against standard indices. The Salomon Brothers High Grade Bond Index is the most well known indicator of bond performance and the Standard & Poor's 500 Index is used as the most widely used indicator of equity performance. Both of these indices, which are time-weighted rates of return, are based upon the common stock or bonds of a relatively limited number of corporations and thus may not reflect the same investment objectives as the Board established for its Funds.

	<b>Total Return</b>			<b>Five Year Compound Average</b>
	<b>1978</b>	<b>1977</b>		
Illinois Bond Fund	2.1%	13.2%	6.3%	
Salomon Brothers Index	(0.8)	15.1	6.1	
Illinois Equity Fund	(1.1)	(3.4)	0.4	
Standard & Poor's 500 Index	0.1	0.5	2.6	
<b>Total Combined Illinois Funds</b>	<b>1.3</b>	<b>7.5</b>	<b>4.5</b>	

## Management Fund

The Board continued its program of strengthening control of investments coupled with a tight rein on management expenses. The posture of developing internal investment capabilities, which was completely employed for the first time during fiscal 1978, has responded in a marked decrease in expenses. The total expenses chargeable to the member retirement systems for fiscal year 1978 was \$386,999 as opposed to \$443,784 in fiscal 1977. This represents .06% of net assets under management as of year end compared to .07% in 1977. While inflationary factors will obviously prevent such marked decreases in the future, the results to date point up the validity of the Board's program to strengthen internal management and provide the flexibility to assume additional responsibilities without a built-in increase in expenses.

### Management Fund Expenses

	Total Expenses	Percent of Net Average Assets
1978	\$386,999	.06%
1977	443,784	.07
1976	682,511	.13

## Additional Comments

**Board Membership.** At the September, 1977, Annual Meeting of the Board, the biennial election of officers was held. Judge Robert J. Downing, A.D. VanMeter, Jr., and Donald A. Belgrad were re-elected as Chairman, Vice Chairman, and Recording Secretary, respectively.

During fiscal 1978, Representative John J. Beatty was elected Chairman of the General Assembly Retirement System. Representative Beatty replaced the Honorable William A. Redmond, Speaker of the House of Representatives, on the Board.

On June 29, 1978, Joseph Butler was appointed to the Board replacing Daniel D. Sugerman, whose term expired. The Board is in great debt to Mr. Sugerman for his years of devoted service and challenging ideas which aided the Board immeasurably.

**Staff.** On May 1, 1978, Richard A. LaPoint resigned as Director of the Illinois State Board of Investment. On June 15, 1978, Robert J. Harmon was sworn in as Director.

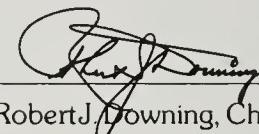
**State Employees Deferred Compensation Plan.** The Board, in conjunction with its consultant, Hewitt Associates, received bids for the position of manager of the fixed income and guaranteed interest contracts of the proposed State Employees Deferred Compensation Plan. Upon review of the bids, the Board selected The Travelers Insurance Company to provide a guaranteed interest contract and T. Rowe Price Associates, Inc. was designated as the fixed income manager and lead administrator. Prior to the time designated for implementation of the Plan, the Internal

Revenue Service announced its intention to enforce a regulation which would eliminate the tax advantage of deferred compensation plans not then in existence. In view of the importance of this regulation to the Illinois Plan, the Board decided to suspend implementation until the status of the proposed regulation has been resolved. At present, the Internal Revenue Service regulation is the subject of proposed legislation to clarify the Treasury Department's position and is under consideration by the members of the Ways and Means Committee of the House of Representatives. As soon as a determination has been made the Board will consider the future of the Illinois State Employees Deferred Compensation Plan.

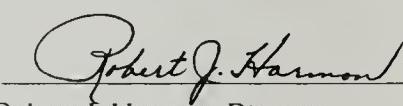
**Investment Transactions with Brokers/Dealers.** During fiscal 1978, equity transactions resulted in commissions being paid in the amount of \$385,278 versus \$514,464 in fiscal 1977. In addition, there were transactions with Brokers/Dealers on Fixed Income Securities, Syndicate Transactions (Equity and Fixed Income) and on Secondary Markets in which commissions were not separately stated but were reflected in the net sales price quoted by the Brokers/Dealers. The detail of these transactions is set forth on pages 29-30.

Detailed statistical analyses of the Illinois Bond Fund, Illinois Equity Fund, and the Board's operations are presented in the subsequent sections of this report.

Respectfully submitted,



Judge Robert J. Downing



Robert J. Harmon



Robert J. Harmon (left) is sworn in as Director of the Illinois State Board of Investment, by Judge Robert J. Downing, Chairman of the Investment Board.

# FIVE YEAR SUMMARY (000) FISCAL YEAR ENDING JUNE 30, 1978

	<b>1978</b>	<b>1977</b>	<b>1976</b>	<b>1975</b>	<b>1974</b>
<b>Total Net Assets</b>	\$714,137	\$667,088	\$588,014	\$496,932	\$403,528
Illinois Bond Fund	505,810	476,777	393,463	299,377	239,080
Illinois Equity Fund	204,094	186,596	190,492	174,044	151,119
Statutory Equity Ratio (Maximum — 40% of book value)	30.6%	30.4%	32.3%	35.5%	39.4%
<b>Change in Net Assets</b>					
New Money Contributions	\$ 38,480	\$ 32,175	\$ 39,390	\$ 39,355	\$ 25,945
Net Appreciation (Depreciation)	(38,333)	5,970	17,187	23,532	(62,724)
Net Income	46,902	40,929	34,505	30,516	25,644
<b>Returns</b>					
Annual Total Return*	1.3%	7.5%	9.5%	12.1%	(9.1)%
Average Income Yield*	6.8	6.5	6.4	6.8	6.3
Compound Growth — 8 years	5.6	6.4	6.2	5.3	3.2

\* Total Return is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash flow. Average Income Yield is the income earned for the year divided by the average market value of assets employed.

# COMMINGLED INVESTMENT FUNDS

STATEMENT OF NET ASSETS  
JUNE 30, 1978

**Investments, at market (Note A):**

	<b>Illinois Bond Fund</b>	<b>Illinois Equity Fund</b>	<b>Combined</b>	<b>%</b>
U.S. Government and Agency obligations	\$ 198,216,434	\$ —	\$ 198,216,434	27.92
Canadian obligations	21,420,020	—	21,420,020	3.02
Corporate obligations	180,809,237	—	180,809,237	25.47
Convertible debentures	—	10,168,213	10,168,213	1.43
Common stock	—	159,498,543	159,498,543	22.47
Short-term obligations	114,406,600	36,190,000	150,596,600	21.21
	<u>514,852,291</u>	<u>205,856,756</u>	<u>720,709,047</u>	<u>101.52</u>
	<u>(9,042,270)</u>	<u>(1,762,502)</u>	<u>(10,804,772)</u>	<u>(1.52)</u>
<b>Net Assets (*)</b>	<b>\$ 505,810,021</b>	<b>\$ 204,094,254</b>	<b>\$ 709,904,275</b>	<b>100.00</b>

*Net assets, at cost	\$ 518,555,782	\$ 217,581,094	\$ 736,136,876
Units outstanding	56,664,501	20,799,341	
Unit value	\$ 8.93	\$ 9.81	

# COMMINGLED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 1978 AND 1977

**Net Assets, at beginning of period**

	<b>Illinois Bond Fund</b>		<b>Illinois Equity Fund</b>	
	<b>1978</b>	<b>1977</b>	<b>1978</b>	<b>1977</b>
<b>Net Assets, at beginning of period</b>	<b>\$ 476,777,294</b>	<b>\$ 393,462,704</b>	<b>\$ 186,595,858</b>	<b>\$ 190,492,323</b>
Proceeds from units issued	57,575,319	63,135,485	27,288,263	10,312,480
Net investment income	38,832,750	34,575,619	8,733,070	6,927,067
Less income distributed	38,500,319	34,260,485	8,313,263	6,837,480
Increase in undistributed income	332,431	315,134	419,807	89,587
Net realized gain (loss) from sale of investments	779,769	7,162,667	(2,953,253)	1,156,196
Change in unrealized appreciation (depreciation) of investments	(29,654,792)	12,701,304	(7,256,421)	(15,454,728)
Net realized and unrealized gain (loss) on investments	(28,875,023)	19,863,971	(10,209,674)	(14,298,532)
<b>Net Assets, at end of period</b>	<b>\$ 505,810,021</b>	<b>\$ 476,777,294</b>	<b>\$ 204,094,254</b>	<b>\$ 186,595,858</b>

# COMMINGLED INVESTMENT FUNDS

STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 1978

## Investment Income

Income:

	<b>Illinois Bond Fund</b>	<b>Illinois Equity Fund</b>	<b>Combined</b>
Interest	\$ 39,112,720	\$ 2,230,889	\$ 41,343,609
Dividends	—	6,609,210	6,609,210
	<u>39,112,720</u>	<u>8,840,099</u>	<u>47,952,819</u>

Expense:

Management Fund operating expense allocation (Note A)	279,970	107,029	386,999
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## Net Investment Income

	<b>\$ 38,832,750</b>	<b>\$ 8,733,070</b>	<b>\$ 47,565,820</b>
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## Realized and Unrealized Gain (Loss) on Investments

Realized gain (loss) from security transactions (excl. short-term):

Proceeds from sales	\$ 202,022,821	\$ 71,526,212	\$ 273,549,033
Cost of securities sold	201,243,052	74,479,465	275,722,517
Net realized gain (loss)	<u>779,769</u>	<u>(2,953,253)</u>	<u>(2,173,484)</u>

Unrealized appreciation (depreciation) of investments:

Beginning of period	16,909,031	(6,230,419)	10,678,612
End of period	(12,745,761)	(13,486,840)	(26,232,601)
Change in unrealized	(29,654,792)	(7,256,421)	(36,911,213)
<b>Net Realized and Unrealized Loss on Investments</b>	<b>\$ (28,875,023)</b>	<b>\$ (10,209,674)</b>	<b>\$ (39,084,697)</b>

## Combined

<b>1978</b>	<b>1977</b>
\$ 663,373,152	\$ 583,955,027
84,863,582	73,447,965
47,565,820	41,502,686
46,813,582	41,097,965
752,238	404,721
(2,173,484)	8,318,863
(36,911,213)	(2,753,424)
(39,084,697)	5,565,439
<b>\$ 709,904,275</b>	<b>\$ 663,373,152</b>

# SEGREGATED INVESTMENT FUNDS

STATEMENT OF NET ASSETS  
JUNE 30, 1978

	General Assembly	Judges	State Employees'	Combined (Note A)
<b>Investments, at market</b> (Note A):				
Illinois Bond Fund units	\$ 6,779,279	\$ 29,056,960	\$ 469,973,782	\$ 505,810,021
Illinois Equity Fund units	3,070,223	10,759,100	190,264,931	204,094,254
Short-term obligations	45,016	66,657	4,117,327	4,229,000
	9,894,518	39,882,717	664,356,040	714,133,275
<b>Other Assets</b>				
	352	523	3,139	4,014
<b>Net Assets (*)</b> (Note B)	<u>\$ 9,894,870</u>	<u>\$ 39,883,240</u>	<u>\$ 664,359,179</u>	<u>\$ 714,137,289</u>
*Net assets, at cost	\$ 11,002,627	\$ 43,420,583	\$ 721,232,408	\$ 775,655,618
Statutory Equity Ratio (maximum allowable — 40% of book value)	33.3%	29.4%	30.6%	30.6%

# SEGREGATED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 1978 AND 1977

	General Assembly		Judges	
	1978	1977	1978	1977
<b>Net Assets, at beginning of period</b>	\$ 9,887,719	\$ 9,451,688	\$ 36,790,933	\$ 31,713,737
Amount received for (returned from) investments	(100,000)	(225,000)	2,580,000	2,400,000
Investment income	661,926	623,791	2,645,236	2,269,422
Unrealized gain (loss) on investments	(554,775)	37,240	(2,132,929)	407,774
<b>Net Assets, at end of period</b>	<u>\$ 9,894,870</u>	<u>\$ 9,887,719</u>	<u>\$ 39,883,240</u>	<u>\$ 36,790,933</u>

# SEGREGATED INVESTMENT FUNDS

STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 1978

	<b>General Assembly</b>	<b>Judges</b>	<b>State Employees'</b>	<b>Combined (Note A)</b>
<b>Investment Income</b>				
Interest	\$ 2,934	\$ 13,680	\$ 71,732	\$ 88,346
Interest distributed — Illinois Bond Fund	527,235	2,200,210	35,772,874	38,500,319
Dividends distributed — Illinois Equity Fund	131,757	431,346	7,750,160	8,313,263
<b>Investment Income</b>	<b>\$ 661,926</b>	<b>\$ 2,645,236</b>	<b>\$ 43,594,766</b>	<b>\$ 46,901,928</b>
<b>Unrealized Loss on Investments</b>				
Unrealized depreciation of investments:				
Beginning of period	\$ (552,982)	\$ (1,404,414)	\$ (21,228,473)	\$ (23,185,869)
End of period	(1,107,757)	(3,537,343)	(56,873,229)	(61,518,329)
Change in unrealized	(554,775)	(2,132,929)	(35,644,756)	(38,332,460)
<b>Unrealized Loss on Investments</b>	<b>\$ (554,775)</b>	<b>\$ (2,132,929)</b>	<b>\$ (35,644,756)</b>	<b>\$ (38,332,460)</b>

<b>State Employees'</b>		<b>Combined (Note A)</b>	
<b>1978</b>	<b>1977</b>	<b>1978</b>	<b>1977</b>
\$ 620,409,169	\$ 546,848,483	\$ 667,087,821	\$ 588,013,908
36,000,000	30,000,000	38,480,000	32,175,000
43,594,766	38,035,539	46,901,928	40,928,752
(35,644,756)	5,525,147	(38,332,460)	5,970,161
<b>\$ 664,359,179</b>	<b>\$ 620,409,169</b>	<b>\$ 714,137,289</b>	<b>\$ 667,087,821</b>

# MANAGEMENT FUND STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1978

**June 30, 1978**

## Assets

Cash on deposit with State Treasurer	\$ 14,265
Receivable from Investment Funds for operating expenses (Note A)	<u>14,613</u>
Total assets	<u>\$ 28,878</u>

## Liabilities

Accounts payable and accrued expenses	\$ 28,878
Total liabilities	<u>\$ 28,878</u>

## MANAGEMENT FUND OPERATING EXPENSES YEARS ENDED JUNE 30, 1978 AND 1977

	<b>1978</b>	<b>1977</b>
Salaries and benefits:		
Investment staff	\$ 129,186	\$ 113,141
Administrative staff	126,461	142,395
Operating expenses:		
Rent and utilities	21,477	21,359
Printing	12,325	4,570
Other	32,414	31,736
External support:		
Investment advisor	40,000	46,851
Custody	21,901	81,849
Actuary	3,235	1,500
Legal	—	383
<b>Total Operating Expenses</b>	<u>\$ 386,999</u>	<u>\$ 443,784</u>

**Note A — Summary of Significant Accounting Policies**

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**Basis of Accounting:**

The Board established the Illinois Equity Fund on July 17, 1970, and the Illinois Bond Fund on April 1, 1972, for the purpose of making commingled investments for the Segregated Funds. Units of the Commingled Funds are issued to the Segregated Funds on the first business day of each month, based on the unit net asset value calculated as of the last business day of the preceding month. Units are redeemable on the same basis. Net income of the Commingled Funds is allocated to the Segregated Funds on the basis of percentages of accumulated units owned by each Segregated Fund. Combined columns for the Segregated Funds are presented for information purposes only and do not indicate that the assets of one fund may be used for another fund.

The Management Fund was created to pay the operating expenses of the Illinois Equity Fund, the Illinois Bond Fund, and the Segregated Funds. Operating expenses are allocated quarterly to the Commingled Funds, in proportion to each fund's net asset value at the beginning of the quarter. Retirement system shares of total expenses were as follows:

	June 30	
	1978	1977
General Assembly	\$ 5,490	\$ 7,313
Judges	21,629	24,198
State Employees'	359,880	412,273
	<u>\$ 386,999</u>	<u>\$ 443,784</u>

**Valuation of Investments:**

Investments owned at June 30, 1978, are included in the financial statements at market value, determined as follows: (1) U.S. Government and agency obligations, Canadian obligations, and Corporate bonds — prices quoted by a major dealer in such securities; (2) Common and preferred stocks: (a) Listed — closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter — bid prices; (3) Illinois Equity Fund and Illinois Bond Fund — net asset value of Fund.

The cost of U.S. Government and agency obligations and corporate bonds is average cost. Cost shown for common and preferred stocks is average cost. Aggregate cost of outstanding units of the Illinois Equity Fund is principal invested plus net income reinvested. Aggregate cost of outstanding units of the Illinois Bond Fund is transfer value of securities exchanged for units on April 1, 1972, plus additional principal invested and net income reinvested. Short-term obligations are shown at average cost, which approximates market.

**Note B — Net Assets of Segregated Investment Funds**

The source of net assets of the Segregated Investment Funds at June 30, 1978, is as follows:

	<b>General Assembly</b>	<b>Judges</b>	<b>State Employees'</b>	<b>Combined</b>
Amounts received for investment	\$7,316,520	\$31,436,788	\$532,117,967	\$570,871,275
Accumulated net income	4,017,195	12,399,145	215,702,274	232,118,614
Accumulated net realized loss on sale of investments	(331,088)	(415,350)	(26,587,833)	(27,334,271)
Unrealized depreciation of investments	(1,107,757)	(3,537,343)	(56,873,229)	(61,518,329)
	<u>\$9,894,870</u>	<u>\$39,883,240</u>	<u>\$664,359,179</u>	<u>\$714,137,289</u>

The Illinois Bond Fund and the Illinois Equity Fund have not distributed realized gains or losses to the Segregated Funds. Thus, unrealized depreciation of the Segregated Funds consists of the following:

	<b>Illinois Bond Fund</b>	<b>Illinois Equity Fund</b>	<b>Total</b>
Undistributed net income	\$ 3,306,312	\$ 772,086	\$ 4,078,398
Undistributed net realized loss on sale of investments	(19,160,685)	(20,203,441)	(39,364,126)
Unrealized depreciation of investments	(12,745,761)	(13,486,840)	(26,232,601)
	<u>\$(28,600,134)</u>	<u>\$(32,918,195)</u>	<u>\$(61,518,329)</u>

**Note C — State Employees Deferred Compensation Plan**

The Illinois State Board of Investment is assigned the responsibility to develop and establish the State Employees Deferred Compensation Plan (Illinois Revised Statutes, Chapter 108½, Section 24 of the Pension Code). In fiscal 1976 and 1977, the Board expended monies appropriated for this purpose totalling \$37,304 which are to be repaid to the General Revenue Fund from the State Employees Deferred Compensation Plan by June 30, 1986. These items are not included in the accompanying financial statements.

## ACCOUNTANTS' REPORT

### **Illinois State Board of Investment and Auditor General, State of Illinois**

We have examined the statement of net assets of the Illinois Bond Fund, Illinois Equity Fund, General Assembly Investment Fund, Judges Investment Fund, and the State Employees' Investment Fund of the Illinois State Board of Investment as of June 30, 1978, and the related statements of operations for the year then ended and changes in net assets for the two years then ended, and the statement of assets and liabilities of the Management Fund as of June 30, 1978, and its related statements of operating expenses for the two years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Investments owned at June 30, 1978, which were held by the custodian, were counted by us. Securities purchased but not received by the custodian were confirmed to us by brokers.

In our opinion, the financial statements referred to above present fairly the net assets of the several funds of the Illinois State Board of Investment at June 30, 1978, and the results of their operations for the year then ended and changes in net assets for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois  
August 18, 1978

*Ernst & Ernst*

E&E

**SUPPLEMENTAL  
FINANCIAL  
INFORMATION**

# PORTFOLIO OF INVESTMENTS ILLINOIS BOND FUND

JUNE 30, 1978

<b>Rating</b> Moody's:S&P	<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Cost</b>	<b>Market Value</b>	<b>Yield to Maturity**</b>
<b>Government Obligations (39.19%)*</b>							
U.S. Treasury (13.86%)							
\$ 6,500,000	U.S. Treasury Bonds		8.500%	05/15/99	\$ 6,548,881.83	\$ 6,422,812	8.62%
5,250,000	U.S. Treasury Notes		6.625	08/31/79	5,245,898.44	5,146,640	8.41
13,750,000	U.S. Treasury Notes		7.125	12/31/79	13,653,320.32	13,496,484	8.46
10,000,000	U.S. Treasury Notes		7.500	01/31/80	9,954,687.52	9,856,250	8.48
5,000,000	U.S. Treasury Notes		6.875	03/31/81	4,998,400.00	4,800,000	8.53
8,000,000	U.S. Treasury Notes		7.375	05/15/81	7,960,000.25	7,770,000	8.52
6,000,000	U.S. Treasury Notes		7.250	12/31/81	5,879,062.50	5,771,250	8.53
17,700,000	U.S. Treasury Notes		7.125	11/15/82	17,266,156.25	16,814,992	8.51
<u>72,200,000</u>	Total U.S. Treasury				<u>71,506,407.11</u>	<u>70,078,428</u>	
Federal Agency (25.33%)							
6,000,000	Federal Home Loan Banks		7.850	08/27/84	6,085,312.50	5,752,500	8.73
1,863,233	Federal Home Loan Mtg. Corp.		8.250	10/01/07	1,835,284.50	1,721,523	9.38
12,659,088	Federal Home Loan Mtg. Corp.		8.500	2007-8	12,245,236.86	11,824,263	9.48
14,859,277	Federal Home Loan Mtg. Corp.		8.750	2008	14,107,026.27	14,027,784	9.59
15,000,000	Federal Home Loan Mtg. Corp.		9.000	06/01/08	14,615,625.00	14,390,698	9.62
10,000,000	Federal National Mtg. Assn.		8.700	10/10/80	10,000,000.00	9,993,750	8.72
34,222,232	Government National Mtg. Assn.		7.500	2005-7	32,602,080.15	30,206,573	9.34
18,884,725	Government National Mtg. Assn.		8.000	2006-7	18,775,965.94	17,213,219	9.44
8,850,000	International Bank for R. & D.		8.000	01/01/80	9,016,475.00	8,767,031	8.68
7,000,000	International Bank for R. & D.		8.600	07/15/85	7,283,730.00	6,916,891	8.83
2,800,000	International Bank for R. & D.		8.850	12/15/85	2,907,219.00	2,798,494	8.86
4,500,000	International Bank for R. & D.		9.350	12/15/00	4,500,000.00	4,525,280	9.29
<u>136,638,555</u>	Total Federal Agency				<u>133,973,955.22</u>	<u>128,138,006</u>	
<u>208,838,555</u>	Total Government Obligations				<u>205,480,362.33</u>	<u>198,216,434</u>	
<b>Canadian Obligations (4.23%)</b>							
AA:AA	1,000,000	Brit. Col. Hydro. & Power Auth.	10.250	10/01/99	1,000,000.00	1,052,851	9.66
AA:AA	2,500,000	Brit. Col. Hydro. & Power Auth.	9.625	06/01/05	2,537,500.00	2,503,588	9.61
AA:AA	2,000,000	Brit. Col. Hydro. & Power Auth.	8.375	06/15/07	1,984,375.00	1,793,565	9.42
A:A	1,500,000	New Brun. Elec. Power Comm.	8.750	08/01/07	1,480,000.00	1,357,126	9.74
AAA:AAA	5,500,000	Ontario Province, Canada	9.250	11/15/05	5,573,750.00	5,467,488	9.31
AAA:AAA	2,500,000	Ontario Province, Canada	9.375	06/01/08	2,500,000.00	2,508,756	9.34
AA:AA	3,500,000	Quebec Hydro. Elec. Comm.	10.700	08/01/99	3,505,625.00	3,700,917	10.04
AA:AA	<u>3,000,000</u>	Quebec Hydro. Elec. Comm.	10.250	01/15/05	<u>3,018,750.00</u>	<u>3,035,729</u>	10.12
	<u>21,500,000</u>	Total Canadian Obligations			<u>21,600,000.00</u>	<u>21,420,020</u>	
<b>Corporate Obligations (35.75%)</b>							
Public Utilities (17.01%)							
Communications (11.48%)							
AAA:AAA	4,000,000	American Tel. & Tel.	8.625	02/01/07	3,982,291.66	3,923,147	8.81
AAA:AAA	4,250,000	Ches. & Potomac Tel., MD.	8.875	06/01/09	4,298,125.00	4,181,801	9.03
AAA:AAA	500,000	Ches. & Potomac Tel., VA.	9.250	12/15/15	543,125.00	509,024	9.08
AA:AA	1,900,000	Hawaiian Tel.	8.500	04/01/06	1,878,625.00	1,772,707	9.17
AAA:AAA	4,000,000	Northwestern Bell Tel.	8.625	06/15/12	3,866,595.98	3,841,718	9.00
AAA:AAA	5,000,000	New York Tel.	8.300	08/15/12	5,002,380.77	4,596,093	9.07

\*Percentage of total portfolio at market value.

\*\*Based upon market value at June 30, 1978.

# PORTFOLIO OF INVESTMENTS ILLINOIS BOND FUND (CONTINUED) JUNE 30, 1978

<b>Rating</b> Moody's:S&P	<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Cost</b>	<b>Market Value</b>	<b>Yield to Maturity</b>
<b>Corporate Obligations</b>							
Public Utilities							
Communications (continued)							
AAA:AAA	\$ 3,500,000	New York Tel.	8.625%	06/15/16	\$ 3,613,613.18	\$ 3,362,943	8.99%
AAA:AAA	6,900,000	Pacific Northwest Bell Tel.	9.000	11/01/12	7,019,125.00	6,870,933	9.04
AA:A	6,000,000	Pacific Tel. & Tel.	9.100	10/15/84	6,356,875.00	6,094,204	8.77
AA:A	8,000,000	Pacific Tel. & Tel.	9.500	06/15/11	8,741,875.00	8,000,000	9.50
AA:A	1,000,000	Pacific Tel. & Tel.	8.875	07/01/15	1,000,000.00	941,150	9.45
AAA:AAA	5,500,000	South Central Bell Tel.	9.200	04/01/10	5,874,120.00	5,626,456	8.98
AAA:AAA	4,000,000	Southwestern Bell Tel.	8.500	03/15/16	4,126,000.00	3,761,509	9.06
AAA:AAA	5,000,000	Southwestern Bell Tel.	8.250	04/01/17	4,769,925.00	4,597,078	9.00
	<u>59,550,000</u>	Total Communications			<u>61,072,676.59</u>	<u>58,078,763</u>	
Electric Utilities (5.53%)							
AA:AA	7,000,000	Baltimore Gas & Electric	9.375	07/01/08	7,000,000.00	7,003,490	9.37
A:A	1,500,000	Hawaiian Electric	11.250	12/01/04	1,500,000.00	1,671,740	10.01
AA:AA	4,000,000	Kentucky Utilities	9.250	06/01/06	4,051,250.00	4,052,285	9.12
A:AA	5,000,000	National Rural Utilities	10.500	11/01/81	5,500,000.00	5,213,525	8.98
A:A	3,048,000	Niagara Mohawk Power	12.600	10/01/81	3,402,634.80	3,322,320	9.32
AA:AA	2,000,000	Public Service of Indiana	9.600	08/01/05	2,000,000.00	2,087,576	9.16
AA:AA	2,500,000	Southwestern Electric Power	9.625	08/01/05	2,476,875.00	2,574,874	9.32
AA:AA	2,250,000	Wisconsin Public Service	8.200	02/01/12	2,241,000.00	2,051,659	9.04
	<u>27,298,000</u>	Total Electric Utilities			<u>28,171,759.80</u>	<u>27,977,469</u>	
	<u>86,848,000</u>	Total Public Utilities			<u>89,244,436.39</u>	<u>86,056,232</u>	
Industrials (12.28%)							
AA:AA	2,500,000	Abbott Laboratories	9.200	10/15/99	2,526,680.00	2,571,071	8.90
A:A	2,000,000	Aluminum Co. of America	9.450	05/15/00	2,000,000.00	2,042,944	9.22
AA:AA	1,000,000	Anheuser Busch	9.200	04/01/05	1,000,000.00	1,025,247	8.95
AA:AA	1,500,000	Atlantic Richfield	8.625	04/01/00	1,539,375.00	1,449,475	8.98
AA:AA	2,500,000	Caterpillar Tractor	8.750	11/01/99	2,513,750.00	2,480,933	8.83
AA:AA	5,000,000	Continental Oil	8.875	06/01/01	4,987,500.00	4,954,132	8.97
AA:AA	2,000,000	Deere & Co.	8.000	11/15/02	1,978,000.00	1,834,884	8.83
AAA:AAA	4,000,000	DuPont de Nemours	8.450	11/15/04	4,024,000.00	3,861,281	8.79
AAA:AAA	2,500,000	Exxon Pipeline	9.000	10/15/04	2,515,500.00	2,517,624	8.93
AAA:AAA	4,000,000	Ford Motor Co.	7.400	01/15/80	4,035,000.00	3,948,891	8.30
A:A	1,000,000	McDermott (J. Ray)	9.700	12/01/99	1,015,000.00	1,038,774	9.28
AAA:AAA	7,500,000	Minnesota Mining & Mfg.	8.850	04/01/05	7,553,840.00	7,584,817	8.74
A:A	1,900,000	Owens Illinois	9.350	11/01/99	2,034,750.00	1,933,578	9.16
A:AA	1,000,000	Penney (J.C.)	9.000	06/15/99	1,000,000.00	1,000,000	9.00
A:A	2,000,000	Philip Morris	8.875	06/01/04	1,987,500.00	1,977,033	8.99
AA:AA	2,000,000	Richardson-Merrell	8.850	12/15/99	2,000,000.00	1,971,706	9.00
AAA:AAA	3,000,000	Shell Oil	8.750	05/15/05	2,977,500.00	2,957,317	8.89
A:AA	3,000,000	Sohio/B P Trans. Alaska Pipeline	9.750	12/01/99	3,040,000.00	3,087,655	9.43
AAA:AA	4,250,000	Texaco	8.875	05/15/05	4,358,057.37	4,196,530	9.00
AA:AA	3,000,000	Union Carbide	8.500	01/15/05	3,003,750.00	2,855,222	8.98
AAA:AAA	4,250,000	Warner Lambert	8.875	04/01/00	4,228,750.00	4,309,585	8.73
AA:AA	2,500,000	Weyerhaeuser	8.900	11/15/04	2,510,965.00	2,507,596	8.87
	<u>62,400,000</u>	Total Industrials			<u>62,829,917.37</u>	<u>62,106,295</u>	

<b>Rating</b> Moody's:S&P	<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Cost</b>	<b>Market Value</b>	<b>Yield to Maturity</b>
<b>Corporate Obligations</b>							
Bank and Finance (6.46%)							
AA:AA	\$ 5,700,000	Beneficial Corporation	9.750%	10/15/79	\$ 5,901,537.07	\$ 5,795,828	8.33%
AAA:AA	8,750,000	Ford Motor Credit	9.750	10/01/81	9,362,716.00	8,921,758	9.03
AAA:AA	3,350,000	Ford Motor Credit	10.500	10/01/94	3,747,437.50	3,615,883	9.53
AAA:AA	8,500,000	General Motors Acceptance	7.250	04/15/80	8,556,355.00	8,311,893	8.60
AAA:AA	3,500,000	General Motors Acceptance	8.250	11/15/06	3,493,690.00	3,205,815	9.08
AA:AA	500,000	Household Finance	8.500	05/15/83	495,000.00	492,034	8.91
AA:AA	2,500,000	Household Finance	8.375	10/01/03	2,480,000.00	2,303,499	9.18
	32,800,000	Total Finance			34,036,735.57	32,646,710	
	<u>182,048,000</u>	Total Corporate Obligations			<u>186,111,089.33</u>	<u>180,809,237</u>	
<b>Short-Term Obligations (22.62%)</b>							
	8,968,000	Bank of America, C.D.			8,968,000.00	8,968,000	7.25
	22,309,000	Continental Ill. Natl. Bk. of Chgo., C.D.			22,309,000.00	22,309,000	7.30
	22,218,000	First Natl. Bk. of Chgo., C.D.			22,218,000.00	22,218,000	7.23
	1,202,000	Ford Motor Credit			1,202,000.00	1,202,000	7.51
	11,726,000	General Motors Acceptance			11,728,600.00	11,728,600	7.51
	21,180,000	Morgan Guaranty Trust, C.D.			21,180,000.00	21,180,000	7.93
	21,476,000	Sears Roebuck Acceptance			21,476,000.00	21,476,000	7.02
	5,325,000	Walter E. Heller			5,325,000.00	5,325,000	7.29
	<u>114,404,000</u>	Total Short-Term Obligations			<u>114,406,600.00</u>	<u>114,406,600</u>	
<b>Total Investments</b>					<u>527,598,051.66</u>	<u>514,852,291</u>	
Liabilities, less Other Assets (-1.79%)							
	Cash				742,726.49	742,726	
	Receivable for:						
	Investments sold				2,620,101.63	2,620,102	
	Interest				8,440,390.93	8,440,391	
	Payable for:						
	Investments purchased				(20,834,915.25)	(20,834,915)	
	Management Fund operating						
	expense allocation				(10,574.10)	(10,574)	
	Total Liabilities, less Other Assets				<u>(9,042,270.30)</u>	<u>(9,042,270)</u>	
<b>Net Assets</b>					<u>\$ 518,555,781.36</u>	<u>\$ 505,810,021</u>	

# PORTFOLIO OF INVESTMENTS ILLINOIS EQUITY FUND

JUNE 30, 1978

Shares		Cost	Market Value	Indicated Yield**
	<b>Common Stocks (78.15%)*</b>			
	Credit Sensitive (17.85%)			
	Banking (3.03%)			
100,000	BankAmerica	\$ 2,310,577.37	\$ 2,237,500	4.20%
54,700	Citicorp	1,936,455.84	1,278,612	4.96
60,000	Morgan (J.P.)	<u>2,700,537.50</u>	<u>2,670,000</u>	4.94
214,700		<u>6,947,570.71</u>	<u>6,186,112</u>	
	Building Materials (3.11%)			
165,000	Champion International	3,943,797.00	3,258,750	5.57
100,265	Georgia-Pacific	<u>2,680,100.68</u>	<u>2,594,357</u>	3.86
20,000	Weyerhaeuser	<u>522,437.50</u>	<u>497,500</u>	3.22
285,265		<u>7,146,335.18</u>	<u>6,350,607</u>	
	Insurance (5.06%)			
75,000	Connecticut General	2,565,804.17	2,700,000	3.00
75,000	Ohio Casualty	1,670,312.50	1,987,500	4.23
177,500	Southwestern Life	3,497,183.67	3,261,562	4.79
80,000	U.S. Fidelity & Guaranty	<u>2,610,142.50</u>	<u>2,370,000</u>	6.75
407,500		<u>10,343,442.84</u>	<u>10,319,062</u>	
	Utilities - Electric (3.97%)			
100,000	Baltimore Gas & Electric	2,662,012.50	2,562,500	8.90
80,000	Central & South West	1,510,668.78	1,310,000	8.18
60,000	Commonwealth Edison	1,680,000.00	1,620,000	8.89
116,700	Public Service Electric & Gas	<u>2,739,053.00</u>	<u>2,611,163</u>	9.47
356,700		<u>8,591,734.28</u>	<u>8,103,663</u>	
	Utilities - Telephone (2.68%)			
60,000	American Tel. & Tel.	3,155,268.75	3,592,500	7.68
100,000	United Telecommunications	<u>1,872,462.50</u>	<u>1,887,500</u>	7.21
160,000		<u>5,027,731.25</u>	<u>5,480,000</u>	
1,424,165	Total Credit Sensitive	<u>38,056,814.26</u>	<u>36,439,444</u>	
	Consumer Staples (18.83%)			
	Cosmetics & Soap (0.84%)			
20,000	Procter & Gamble	<u>1,752,699.67</u>	<u>1,720,000</u>	3.49
	Drugs & Health Care (4.64%)			
60,000	Abbott Laboratories	1,955,400.00	1,942,500	2.22
65,000	American Hospital Supply	2,175,629.56	1,820,000	2.43
36,000	Johnson & Johnson	3,379,923.89	2,929,500	2.09
50,000	Merck	<u>2,981,538.20</u>	<u>2,775,000</u>	3.06
211,000		<u>10,492,491.65</u>	<u>9,467,000</u>	
	Entertainment & Services (2.00%)			
36,590	Disney (Walt) Productions	1,984,948.02	1,463,600	0.80
10,000	Knight-Ridder Newspapers	460,875.00	443,750	2.70
80,000	McGraw-Hill	1,395,865.46	1,800,000	4.44
13,400	New York Times Class A	<u>375,840.00</u>	<u>380,225</u>	2.82
139,990		<u>4,217,528.48</u>	<u>4,087,575</u>	
	Food & Beverages (4.27%)			
125,000	General Foods	3,996,583.00	3,953,125	5.19
100,000	Kraft	<u>4,523,932.96</u>	<u>4,762,500</u>	5.46
225,000		<u>8,520,515.96</u>	<u>8,715,625</u>	

\*Percentage of total portfolio at market value.

\*\*Based upon market value at June 30, 1978.

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Common Stocks</b>				
Consumer Staples (continued)				
	Retail (5.53%)			
10,000	Dayton-Hudson	\$ 370,150.00	\$ 381,250	3.67%
25,000	Federated Department Stores	1,119,268.36	925,000	4.32
115,006	K mart	3,813,789.95	2,817,647	2.94
25,000	Macy (R.H.)	1,045,537.50	1,037,500	3.98
110,000	Melville	2,714,197.81	3,272,500	3.90
18,500	Rite Aid	391,822.50	400,062	1.94
62,000	Winn-Dixie Stores	2,727,359.50	2,441,250	4.27
<u>365,506</u>		<u>12,182,125.62</u>	<u>11,275,209</u>	
	Tobacco (1.55%)			
22,000	Philip Morris	1,206,242.50	1,457,500	3.09
30,000	Reynolds (R.J.) Industries	1,672,887.50	1,713,750	6.13
<u>52,000</u>		<u>2,879,130.00</u>	<u>3,171,250</u>	
<u>1,013,496</u>	Total Consumer Staples	<u>40,044,491.38</u>	<u>38,436,659</u>	
	Consumer Cyclical (4.50%)			
	Appliances, Home Furnishings (1.58%)			
<u>120,000</u>	RCA	<u>3,528,137.50</u>	<u>3,225,000</u>	<u>5.21</u>
	Auto & Related (2.92%)			
40,000	Bendix	1,616,441.20	1,495,000	6.10
50,000	Cummins Engine	2,252,025.00	1,843,750	4.56
70,000	TRW	2,467,621.52	2,616,250	4.82
<u>160,000</u>		<u>6,336,087.72</u>	<u>5,955,000</u>	
<u>280,000</u>	Total Consumer Cyclical	<u>9,864,225.22</u>	<u>9,180,000</u>	
	Basic Industries & Services (10.07%)			
	Chemicals (6.38%)			
109,500	Air Products & Chemicals	3,090,365.29	3,038,625	2.16
80,000	Big Three Industries	1,968,601.66	2,880,000	1.67
125,000	Diamond Shamrock	4,083,064.00	3,203,125	5.46
75,000	Dow Chemical	2,626,634.71	1,846,875	4.87
40,000	Monsanto	2,819,587.86	2,050,000	6.24
<u>429,500</u>		<u>14,588,253.52</u>	<u>13,018,625</u>	
	Metals & Mining (0.58%)			
<u>45,000</u>	U.S. Steel	<u>2,115,288.60</u>	<u>1,186,875</u>	<u>6.07</u>
	Paper (3.11%)			
80,000	International Paper	4,462,029.93	3,170,000	5.05
75,000	Union Camp	4,313,928.92	3,168,750	4.73
<u>155,000</u>		<u>8,775,958.85</u>	<u>6,338,750</u>	
<u>629,500</u>	Total Basic Industry & Services	<u>25,479,500.97</u>	<u>20,544,250</u>	
	Energy (14.27%)			
	Oil - Domestic & Exploration (7.92%)			
58,500	Atlantic Richfield	2,632,500.00	2,954,250	4.75
30,000	Getty Oil	5,298,245.00	4,267,500	3.37
60,000	Kerr McGee	3,710,708.62	2,595,000	2.89
50,000	Mesa Petroleum	1,806,437.50	1,662,500	1.20
70,000	Phillips Petroleum	2,224,212.50	2,248,750	3.74
25,000	Standard Oil (Indiana)	1,065,941.15	1,206,250	5.80
20,000	Standard Oil of Ohio	1,236,575.00	1,230,000	2.87
<u>313,500</u>		<u>17,974,619.77</u>	<u>16,164,250</u>	

# PORTFOLIO OF INVESTMENTS ILLINOIS EQUITY FUND (CONTINUED)

JUNE 30, 1978

Shares or Par Value		Cost	Market Value	Indicated Yield
<b>Common Stocks</b>				
<b>Energy (Continued)</b>				
84,916	Oil - International (4.36%)			
130,000	Exxon	\$ 3,556,829.14	\$ 3,725,690	7.29%
	Standard Oil of California	4,992,096.67	5,183,750	6.52
214,916		<u>8,548,925.81</u>	<u>8,909,440</u>	
<b>Oil Service &amp; Equipment (1.99%)</b>				
80,000	Dresser Industries	3,256,737.50	3,540,000	1.99
20,000	McDermott (J. Ray)	534,529.00	512,500	3.90
100,000		<u>3,791,266.50</u>	<u>4,052,500</u>	
628,416	<b>Total Energy</b>	<u>30,314,812.08</u>	<u>29,126,190</u>	
<b>Capital Goods (12.63%)</b>				
	Electrical Equipment (2.97%)			
45,000	Corning Glass Works	3,511,190.52	2,525,625	2.99
70,000	General Electric	3,893,875.62	3,535,000	5.15
115,000		<u>7,405,066.14</u>	<u>6,060,625</u>	
<b>Machinery (1.09%)</b>				
40,000	Ingersoll-Rand	2,859,535.00	2,215,000	5.42
<b>Office Equipment (8.57%)</b>				
60,000	Burroughs	4,981,011.12	4,335,000	1.94
42,000	International Business Machines	10,493,319.41	10,804,500	4.48
45,000	Xerox	3,389,327.37	2,356,875	3.82
147,000		<u>18,863,657.90</u>	<u>17,496,375</u>	
302,000	<b>Total Capital Goods</b>	<u>29,128,259.04</u>	<u>25,772,000</u>	
4,277,577	<b>Total Common Stock</b>	<u>172,888,102.95</u>	<u>159,498,543</u>	
<b>Convertible Debentures (4.98%)</b>				
\$ 2,100,000	Baxter Travenol 4 3/8% due 11-1-91	2,398,772.50	2,530,500	3.63
3,355,000	Caterpillar Tractor 5 1/2% due 6-30-00	3,994,221.50	3,883,413	4.75
3,413,000	Sperry Rand 6% due 12-15-00	3,872,498.80	3,754,300	5.45
\$ 8,868,000		<u>10,265,492.80</u>	<u>10,168,213</u>	
<b>Short-Term Obligations (17.73%)</b>				
\$ 3,948,000	C.I.T. Financial	3,948,000.00	3,948,000	7.62
6,292,000	Continental Illinois National Bank, C.D.	6,292,000.00	6,292,000	7.27
3,361,000	First National Bank of Chicago, C.D.	3,361,000.00	3,361,000	7.27
6,094,000	Ford Motor Credit	6,094,000.00	6,094,000	7.40
5,180,000	General Motors Acceptance	5,180,000.00	5,180,000	7.49
4,843,000	Sears Roebuck Acceptance	4,843,000.00	4,843,000	7.29
6,472,000	Walter E. Heller	6,472,000.00	6,472,000	7.24
\$36,190,000		<u>36,190,000.00</u>	<u>36,190,000</u>	
<b>Total Investments</b>				
Other Liabilities, less Assets (-0.86%)				
	Cash	20,232.23	20,232	
	Receivable for:			
	Investments sold	3,563,464.01	3,563,464	
	Dividends and interest	1,248,545.32	1,248,545	
	Payable for:			
	Investments purchased	(6,590,705.00)	(6,590,705)	
	Management fund operating expense allocation	(4,038.40)	(4,038)	
	<b>Total Liabilities, less Assets</b>	<u>(1,762,501.84)</u>	<u>(1,762,502)</u>	
	<b>Net Assets</b>	<u>\$217,581,093.91</u>	<u>\$204,094,254</u>	

# PORTFOLIO OF INVESTMENTS SEGREGATED INVESTMENT FUNDS

JUNE 30, 1978

<b>Par Value or Units</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield *</b>
<b>General Assembly</b>				
759,464	Illinois Bond Fund Units	\$ 7,291,965.01	\$ 6,779,279	8.16%
312,888	Illinois Equity Fund Units	3,665,293.58	3,070,223	4.59
	Short-Term Obligations			
\$ 44,749	General Motors Acceptance	44,749.00	44,749	7.93
267	Montgomery Ward Credit	267.00	267	8.01
<b>\$ 45,016</b>		<b>45,016.00</b>	<b>45,016</b>	
	<b>Total Investments</b>	<b>11,002,274.59</b>	<b>9,894,518</b>	
	Other Assets			
	Cash	65.66	65	
	Receivable for interest	286.83	287	
	Total Other Assets	352.49	352	
	<b>Net Assets</b>	<b>\$ 11,002,627.08</b>	<b>\$ 9,894,870</b>	
 <b>Judges</b>				
3,255,171	Illinois Bond Fund Units	\$ 30,572,869.02	\$ 29,056,960	8.16%
1,096,465	Illinois Equity Fund Units	12,780,534.72	10,759,100	4.59
	Short-Term Obligations			
\$ 65,535	General Motors Acceptance	65,535.00	65,535	7.93
1,122	Montgomery Ward Credit	1,122.00	1,122	8.01
<b>\$ 66,657</b>		<b>66,657.00</b>	<b>66,657</b>	
	<b>Total Investments</b>	<b>43,420,060.74</b>	<b>39,882,717</b>	
	Other Assets			
	Cash	97.59	98	
	Receivable for interest	424.73	425	
	Total Other Assets	522.32	523	
	<b>Net Assets</b>	<b>\$ 43,420,583.06</b>	<b>\$ 39,883,240</b>	
 <b>State Employees'</b>				
52,649,866	Illinois Bond Fund Units	\$496,545,320.98	\$469,973,782	8.16%
19,389,988	Illinois Equity Fund Units	220,566,619.92	190,264,931	4.59
	Short-Term Obligations			
\$4,000,000	Ford Motor Credit	4,000,000.00	4,000,000	7.85
114,716	General Motors Acceptance	114,716.00	114,716	7.93
2,611	Montgomery Ward Credit	2,611.00	2,611	8.01
<b>\$4,117,327</b>		<b>4,117,327.00</b>	<b>4,117,327</b>	
	<b>Total Investments</b>	<b>721,229,267.90</b>	<b>664,356,040</b>	
	Other Assets			
	Cash	651.98	652	
	Receivable for interest	2,487.93	2,487	
	Total Other Assets	3,139.91	3,139	
	<b>Net Assets</b>	<b>\$721,232,407.81</b>	<b>\$664,359,179</b>	

\* Based upon market value at June 30, 1978.

# TRANSACTIONS-ILLINOIS BOND FUND

JULY 1, 1977 TO JUNE 30, 1978

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Bonds</b>						
Purchases						
\$ 2,250,000	American Hospital Supply	7.875%	08/15/07	99.700	\$ 2,243,250.00	
1,500,000	Atlantic Richfield	8.625	04/01/00	102.625	1,539,375.00	
7,000,000	Baltimore Gas & Electric	9.375	07/01/08	100.000	7,000,000.00	
3,700,000	Beneficial Corporation	9.750	10/15/79	101.157	3,742,809.00	
500,000	Brit. Col. Hydro. & Power Auth.	8.375	06/15/07	96.875	484,375.00	
500,000	Ches. & Potomac Tel., Md.	9.250	04/01/15	108.625	543,125.00	
2,050,000	Commonwealth Edison	9.375	05/15/04	108.025	2,214,512.50	
5,250,000	Deere & Co.	8.000	11/15/02	98.900	5,192,250.00	
500,000	Exxon Pipeline	8.875	10/15/00	106.875	534,375.00	
1,993,000	Federal Home Loan Mtg. Corp.	8.250	10/01/07	98.500	1,963,105.00	
27,796,060	Federal Home Loan Mtg. Corp.	8.500	2007-8	96.269	26,758,984.93	
14,859,277	Federal Home Loan Mtg. Corp.	8.750	2008	94.937	14,107,026.27	
15,000,000	Federal Home Loan Mtg. Corp.	9.000	06/01/08	97.437	14,615,625.00	
10,000,000	Federal National Mtg. Association	8.700	10/10/80	100.000	10,000,000.00	
2,050,000	Ford Motor Credit	10.500	10/01/94	115.265	2,362,937.50	
1,100,000	Ford Motor Credit	9.750	10/01/81	103.250	1,135,750.00	
4,500,000	General Motors Acceptance	8.000	07/15/07	99.125	4,460,625.00	
3,500,000	General Motors Acceptance	8.250	11/15/06	99.819	3,493,690.00	
4,508,609	Government National Mtg. Assn.	7.500	07/15/07	95.741	4,316,578.02	
500,000	Household Finance	8.500	05/15/83	99.000	495,000.00	
1,500,000	Mountain States Tel.	8.625	04/01/18	99.000	1,485,000.00	
1,500,000	New Brunswick Elec. Power Comm.	8.750	08/01/07	98.666	1,480,000.00	
3,048,000	Niagara Mohawk Power	12.600	10/01/81	111.635	3,402,634.80	
250,000	Northern Indiana Public Service	8.500	11/01/07	100.000	250,000.00	
2,500,000	Northwestern Bell Tel.	8.625	06/15/12	98.975	2,474,375.00	
1,400,000	Owens-Illinois	9.350	11/01/99	109.625	1,534,750.00	
500,000	Pacific Tel. & Tel.	9.100	10/15/84	102.625	513,125.00	
4,500,000	Pacific Tel. & Tel.	9.500	06/15/11	109.152	4,911,875.00	
2,500,000	Ontario Province, Canada	9.375	06/01/08	100.000	2,500,000.00	
2,000,000	South Central Bell Tel.	9.200	04/01/10	108.375	2,167,500.00	
1,500,000	Southern California Edison	8.875	03/01/00	102.250	1,533,750.00	
4,000,000	Southwestern Bell Tel.	8.500	03/15/16	104.187	4,167,500.00	
2,500,000	Southwestern Bell Tel.	8.250	04/01/17	91.720	2,293,000.00	
1,500,000	Texaco	8.875	05/01/05	106.875	1,603,125.00	
6,000,000	U.S. Treasury Notes	7.250	12/31/81	97.984	5,879,062.50	
5,250,000	U.S. Treasury Notes	6.625	08/31/79	99.921	5,245,898.44	
17,700,000	U.S. Treasury Notes	7.125	11/15/82	97.548	17,266,156.25	
13,750,000	U.S. Treasury Notes	7.125	12/31/79	99.296	13,653,320.32	
10,000,000	U.S. Treasury Notes	7.500	01/31/80	99.546	9,954,687.52	
21,750,000	U.S. Treasury Notes	7.875	11/15/07	99.008	21,534,445.00	
3,500,000	U.S. Treasury Notes	6.750	08/15/80	99.760	3,491,600.00	
1,000,000	U.S. Treasury Notes	7.625	11/15/87	99.552	995,520.00	
3,000,000	Union Carbide	8.500	01/15/05	100.125	3,003,750.00	
<b>\$220,204,946</b>					<b>\$218,544,468.05</b>	
Sales						
\$ 2,250,000	American Hospital Supply	7.875	08/15/07	99.875	\$ 2,247,187.50	\$ 3,937.50
3,500,000	American Tel. & Tel.	8.625	02/01/07	100.589	3,520,640.00	36,134.79

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Bonds</b>						
Sales (continued)						
\$ 2,500,000	Caterpillar Tractor	8.750%	11/01/99	101.800	\$ 2,545,000.00	\$ 31,250.00
2,550,000	Commonwealth Edison	9.375	05/15/04	101.447	2,586,898.50	(117,614.00)
1,250,000	Continental Group	8.850	05/15/04	101.780	1,272,250.00	22,250.00
3,250,000	Deere & Co.	8.000	11/15/02	94.826	3,081,862.50	(132,387.50)
3,000,000	DuPont de Nemours	8.450	11/15/04	99.200	2,976,000.00	(42,000.00)
5,000,000	Exxon Pipeline	8.875	10/15/00	104.937	5,246,875.00	223,750.00
129,767	Federal Home Loan Mtg. Corp.	8.250	10/01/07	100.000	129,767.00	1,946.50
15,136,972	Federal Home Loan Mtg. Corp.	8.500	2007-8	97.048	14,690,097.10	176,349.03
2,000,000	Ford Motor Credit	8.700	04/01/99	98.400	1,968,000.00	83,320.00
4,500,000	General Motors Acceptance	8.000	07/15/07	98.990	4,454,550.00	(6,075.00)
5,405,377	Government National Mtg. Assn.	7.500	2005-7	98.463	5,322,323.53	222,197.59
3,635,141	Government National Mtg. Assn.	8.000	2000-6-7	100.202	3,642,473.59	(25,717.44)
4,400,000	Michigan Bell Tel.	7.000	11/01/12	82.132	3,613,808.00	(267,070.50)
4,000,000	Mobil Alaska Pipeline	8.450	03/01/05	98.285	3,931,400.00	103,050.00
1,500,000	Mountain States Tel.	8.625	04/01/18	98.125	1,471,875.00	(13,125.00)
4,000,000	New Jersey Bell Tel.	7.750	09/01/13	96.852	3,874,080.00	498,830.00
2,000,000	New York Tel.	8.625	06/15/16	99.130	1,982,600.00	(82,321.82)
1,500,000	New York Tel.	8.300	08/15/12	101.551	1,523,265.00	22,550.77
250,000	Northern Indiana Public Service	8.500	11/01/07	97.110	242,775.00	(7,225.00)
5,500,000	Northwestern Bell Tel.	8.625	06/15/12	104.227	5,732,500.00	534,095.98
300,000	Pitney Bowes	9.000	10/15/95	101.080	303,240.00	(27,780.00)
4,500,000	Procter & Gamble	8.250	03/01/05	105.060	4,727,700.00	289,434.38
3,000,000	Quebec Province, Canada	9.500	06/15/01	93.159	2,794,790.00	(215,210.00)
1,000,000	Quebec Province, Canada	9.875	05/15/00	96.469	964,690.00	(46,560.00)
3,950,000	Sears Roebuck	8.000	04/01/06	101.916	4,025,682.00	84,307.00
3,000,000	Southwestern Bell Tel.	8.750	05/01/06	99.261	2,977,830.00	(22,170.00)
3,500,000	Southern Bell Tel.	8.250	04/15/16	100.154	3,505,410.00	36,035.00
3,500,000	Southern California Edison	8.875	03/01/00	99.561	3,484,650.00	(112,640.00)
4,000,000	Southern California Edison	8.875	03/15/01	98.830	3,953,200.00	(26,800.00)
1,000,000	Southwestern Bell Tel.	8.500	03/15/16	98.375	983,750.00	(47,750.00)
4,500,000	Southwestern Bell Tel.	8.250	04/01/17	97.851	4,403,325.00	(55,140.00)
6,000,000	Standard Oil of Indiana	8.375	06/15/05	99.049	5,942,955.00	(177,045.00)
1,500,000	Standard Oil of Ohio	8.500	01/01/00	101.000	1,515,000.00	117,225.00
500,000	Texaco	8.875	05/01/05	106.250	531,250.00	18,537.37
18,500,000	U.S. Treasury Bonds	8.500	05/15/99	102.285	18,922,812.50	283,687.31
21,750,000	U.S. Treasury Bonds	7.875	11/15/07	98.917	21,514,531.25	(19,913.75)
6,000,000	U.S. Treasury Notes	7.750	11/15/81	99.750	5,985,000.00	(193,437.50)
5,250,000	U.S. Treasury Notes	6.250	11/15/79	99.125	5,204,062.50	(41,015.63)
17,000,000	U.S. Treasury Notes	7.875	11/15/82	100.937	17,159,375.00	(323,906.25)
6,000,000	U.S. Treasury Notes	8.125	08/15/82	99.031	5,941,875.00	(39,325.00)
3,500,000	U.S. Treasury Notes	6.750	08/15/80	100.000	3,500,000.00	8,400.00
1,000,000	U.S. Treasury Notes	7.625	11/15/87	99.625	996,250.00	730.00
4,000,000	Walter E. Heller	8.750	02/01/02	97.291	3,891,640.00	(108,360.00)
2,000,000	Wisconsin Public Service	8.125	09/01/03	99.660	1,993,200.00	132,340.00
750,000	Woolworth (F.W.)	9.000	06/01/99	99.250	744,375.00	—
<b>\$203,257,257</b>					<b>\$202,022,820.97</b>	<b>\$779,768.83</b>
<b>Cash Equivalents</b>						
\$646,714,000	Purchases				\$646,325,340.45	
\$589,898,000	Sales				\$589,138,553.75	

**TRANSACTIONS-ILLINOIS EQUITY FUND**

JULY 1, 1977 TO JUNE 30, 1978

<b>Shares</b>		<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Purchases				
60,000	Abbott Laboratories	32.590	\$ 1,955,400.00	
35,413	Air Products & Chemicals	23.737	840,623.94	
20,000	American Tel. & Tel.	59.875	1,197,500.00	
72,000	Atlantic Richfield	45.000	3,240,000.00	
100,000	Baltimore Gas & Electric	26.620	2,662,012.50	
65,000	BankAmerica	24.096	1,566,280.50	
14,540	Big Three Industries	31.475	457,646.50	
12,500	Burroughs	62.130	776,625.00	
39,800	Caterpillar Tractor	49.163	1,956,710.00	
15,000	Champion International	19.103	286,550.00	
60,000	Commonwealth Edison	28.000	1,680,000.00	
50,000	Cummins Engine	45.040	2,252,025.00	
10,000	Dayton-Hudson	37.015	370,150.00	
55,000	Diamond Shamrock	29.944	1,646,925.00	
40,000	Dow Chemical	32.070	1,282,800.00	
80,000	Dresser Industries	40.709	3,256,737.50	
20,000	Exxon	46.225	924,500.00	
15,000	Franklin Life Insurance	22.750	341,250.00	
23,000	General Electric	51.392	1,182,015.00	
49,000	Georgia-Pacific	27.996	1,371,850.00	
27,000	Getty Oil	174.368	4,707,945.00	
12,000	Ingersoll Rand	59.741	716,900.00	
19,000	International Paper	42.428	806,137.50	
4,050	International Business Machines	250.717	1,015,404.25	
30,000	K mart	28.007	840,225.00	
23,000	Kerr-McGee	46.868	1,077,970.00	
10,000	Knight-Ridder Newspapers	46.087	460,875.00	
25,000	Macy (R.H.)	41.821	1,045,537.50	
20,000	McDermott (J. Ray)	26.726	534,529.00	
20,000	McGraw-Hill	23.465	469,300.00	
30,000	Melville	26.896	806,880.00	
15,000	Merck	51.813	777,200.00	
50,000	Mesa Petroleum	36.128	1,806,437.50	
12,000	Monsanto	54.859	658,312.50	
60,000	Morgan (J.P.)	45.009	2,700,537.50	
13,400	New York Times Class A	28.047	375,840.00	
2,000	Philip Morris	64.305	128,610.00	
70,000	Phillips Petroleum	31.774	2,224,212.50	
116,700	Public Service Electric & Gas	23.470	2,739,053.00	
70,000	RCA	29.826	2,087,875.00	
30,000	Reynolds (R.J.) Industries	55.762	1,672,887.50	
18,500	Rite Aid	21.179	391,822.50	
15,000	Schering-Plough	29.540	443,100.00	
65,000	Sperry Rand	34.581	2,247,787.50	
90,000	Standard Oil of California	40.696	3,662,675.00	
20,000	Standard Oil of Ohio	61.828	1,236,575.00	
52,000	Sundstrand	34.153	1,775,967.50	
35,000	TRW	38.520	1,348,200.00	

<b>Shares</b>		<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Purchases (continued)				
80,000	U.S. Fidelity & Guaranty	32.626	\$ 2,610,142.50	
15,000	Union Camp	51.065	765,975.00	
100,000	United Telecommunications	18.724	1,872,462.50	
20,000	Weyerhaeuser	26.121	522,437.50	
12,000	Xerox	50.110	601,325.00	
<u>2,017,903</u>			<u>\$74,378,739.69</u>	
Sales				
35,000	American Home Products	28.529	\$ 998,541.56	\$(236,154.04)
25,000	AMP	29.592	739,800.23	841.73
60,000	Associated Dry Goods	21.361	1,281,682.03	(621,377.97)
13,500	Atlantic Richfield	49.843	672,889.98	65,389.98
35,000	Avon Products	48.243	1,688,532.77	(196,434.97)
60,000	Baxter Travenol Laboratories	39.178	2,350,718.25	197,622.62
12,500	Bendix	37.583	469,796.77	(35,341.10)
90,000	Bethlehem Steel	22.718	2,044,631.57	(1,288,929.43)
0.85	Big Three Inds. (fractional share)	25.190	25.19	3.54
30,000	Borg Warner	26.914	807,435.50	(168,158.25)
82,000	Caterpillar Tractor	56.608	4,641,914.85	756,294.11
40,000	Colgate-Palmolive	25.023	1,000,928.99	18,436.19
35,000	Continental Oil	30.424	1,064,859.33	232,573.09
15,000	Delta Air Lines	37.273	559,106.31	49,980.44
0.75	Disney (Walt) Prod. (fractional share)	24.770	24.77	(15.92)
25,000	Dow Chemical	26.506	662,665.29	(212,879.61)
20,100	Eastman Kodak	62.806	1,262,403.29	(514,211.34)
30,000	Eckerd (Jack)	27.800	834,009.60	(15,573.86)
35,000	Exxon	47.774	1,672,094.06	206,068.58
40,000	Federated Department Stores	38.998	1,559,947.80	(230,881.57)
120,000	Franklin Life Insurance	27.703	3,324,375.00	623,562.50
61,000	General Motors	68.340	4,168,773.21	562,297.01
0.40	Georgia-Pacific (fractional share)	11.450	11.45	0.65
44,600	Gould	27.993	1,248,512.36	183,974.66
95,000	Gulf States Utilities	13.195	1,253,520.53	(549,625.77)
25,000	Halliburton	57.360	1,434,014.58	232,401.24
35,000	Hewlett-Packard	79.553	2,784,356.93	(4,840.57)
10,000	Lilly (Eli)	41.834	418,348.49	(83,985.63)
27,300	Longs Drug Stores	23.413	639,180.11	(398,530.39)
70,000	McGraw-Hill	19.091	1,336,382.88	255,389.85
25,000	Melville	27.781	694,539.26	98,502.44
28,700	Minnesota Mining & Manufacturing	51.968	1,491,494.10	158,417.89
30,000	Northwest Bancorporation	23.682	710,468.46	136,954.02
45,000	Ohio Casualty	26.763	1,204,375.00	202,187.50
10,000	Procter & Gamble	87.720	877,208.16	858.33
90,000	Ralston Purina	14.211	1,278,988.85	44,307.94
30,000	Reliance Electric	31.894	956,830.50	413,685.72
43,500	Schering-Plough	32.153	1,398,693.23	(393,574.97)
80,000	Sears Roebuck	30.298	2,423,881.49	(869,165.29)
18,700	Signode	37.380	699,013.62	43,090.81
90,000	Sperry Rand	42.877	3,858,964.22	696,176.72

# TRANSACTIONS-ILLINOIS EQUITY FUND (CONTINUED)

JULY 1, 1977 TO JUNE 30, 1978

<b>Shares/ Par Value</b>		<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Sales (continued)				
47,000	Standard Brands Paint	28.808	\$ 1,354,018.39	\$ (734,876.11)
50,000	Sunbeam	20.206	1,010,328.62	(162,486.63)
52,000	Sundstrand	37.546	1,952,429.61	176,462.11
35,000	Texas Instruments	77.137	2,699,803.53	(505,986.89)
60,000	U.S. Fidelity & Guaranty	39.141	2,348,484.00	774,346.50
30,000	U.S. Steel	26.709	801,285.64	(608,906.76)
30,000	Weyerhaeuser	32.884	986,529.50	(88,583.00)
<u>1,965,902</u>			<u>\$ 67,666,819.86</u>	<u>\$ (1,790,693.90)</u>
Capitalization				
25,000	Connecticut General Insurance— 3 for 2 stock split			
540.75	Disney (Walt) Productions— 1 1/2% stock dividend			
1,495.40	Georgia-Pacific— 2% stock dividend			
60,000	Ohio Casualty Insurance— 2 for 1 stock split			
40,000	Sears, Roebuck— 2 for 1 stock split			
<u>127,036.15</u>				
<b>Preferred Stock</b>				
Purchases				
10,000	Atlantic Richfield-cv \$2.80	62.420	<u>\$ 624,201.00</u>	
Sales				
60,000	Atlantic Richfield-cv \$2.80	54.023	<u>\$ 3,241,391.75</u>	<u>\$ (1,070,309.25)</u>
<b>Convertible Debentures</b>				
Purchases				
\$2,100,000	Baxter Travenol Labs-4.375% due 11/1/91	114.227	\$ 2,398,772.50	
3,955,000	Caterpillar Tractor-5.500% due 6/30/00	118.950	4,704,471.50	
3,413,000	Sperry Rand-6.000% due 12/15/00	113.463	<u>3,872,498.80</u>	
<u>\$9,468,000</u>			<u>\$ 10,975,742.80</u>	
Sales				
\$600,000	Caterpillar Tractor-5.500% due 6/30/00	103.000	<u>\$ 618,000.00</u>	<u>\$ (92,250.00)</u>
<b>Cash Equivalents</b>				
Purchases				
<u>\$302,224,000</u>			<u>\$302,071,399.77</u>	
Sales				
<u>\$284,565,000</u>			<u>\$284,398,353.09</u>	

# TRANSACTIONS-SEGREGATED INVESTMENT FUNDS

JULY 1, 1977 TO JUNE 30, 1978

	Par Value or Units	Unit Amount	Total Cost or Proceeds
<b>General Assembly Investment Fund</b>			
Purchases			
Cash equivalents	8,619		\$ 8,619.00
Illinois Bond Fund units	57,450	9.177	527,235.25
Illinois Equity Fund units	3,849	8.251	31,757.05
Total purchases			\$ 567,611.30
Sales			
Cash equivalents	5,603		\$ 5,603.00
Total sales			\$ 5,603.00
<b>Judges Investment Fund</b>			
Purchases			
Cash equivalents	2,569,195		\$ 2,569,195.00
Illinois Bond Fund units	405,159	9.194	3,725,210.09
Illinois Equity Fund units	199,044	9.829	1,956,346.36
Total purchases			\$ 8,250,751.45
Sales			
Cash equivalents	3,023,538		\$ 3,023,538.00
Total sales			\$ 3,023,538.00
<b>State Employees' Investment Fund</b>			
Purchases			
Cash equivalents	36,284,186		\$ 36,284,186.00
Illinois Bond Fund units	5,812,470	9.174	53,322,873.34
Illinois Equity Fund units	2,592,532	9.759	25,300,159.80
Total purchases			\$ 114,907,219.14
Sales			
Cash equivalents	35,316,859		\$ 35,316,859.00
Total sales			\$ 35,316,859.00

**Commissions Paid****Equity Securities**

## Stock Exchange Transactions

Bear, Stearns & Co.	\$ 2,256.00
Becker Securities Corp.	2,800.00
Blair (William) & Co.	1,500.00
Blyth Eastman Dillon & Co., Inc.	9,818.69
Bruan, Gordon & Co.	3,800.00
Callan Associates Inc.	19,125.00
Drexel Burnham Lambert Inc.	14,905.00
Donaldson, Lufkin & Jenrette Sec. Corp.	36,210.50
First (The) Boston Corp.	17,650.00
Goldman, Sachs & Co.	82,105.50
Hutton (E.F.) & Co., Inc.	7,581.00
Kidder, Peabody & Co., Inc.	24,074.00
Kuhn, Loeb & Co. Inc.	4,250.00
Lawrence, Cyrus J.	9,820.00
Lehman Brothers Inc.	3,260.00
Merrill Lynch, Pierce, Fenner & Smith, Inc.	21,139.00
Merrill Lynch White Weld Capital Markets Group	1,572.50
Morgan Stanley & Co., Inc.	33,105.00
O'Neil (William) & Co. Inc.	14,303.00
Oppenheimer & Co. Inc.	16,539.00
Paine Webber Mitchell Hutchins, Inc.	650.00
Robinson-Humphrey	3,850.00
Rotan Mosle Inc.	3,600.00
Roulston & Co., Inc.	3,450.00
Salomon Brothers	10,563.00
Shearson Hayden Stone Inc.	7,541.00
Smith Barney, Harris Upham	1,500.00
Wainwright Securities, Inc.	3,967.00
Wertheim & Co., Inc.	8,141.00
White, Weld & Co., Inc.	9,707.25
Zunser (A.J.B.) & Co.	6,495.00
	<u>\$385,278.44</u>

<b>Transactions Executed on a Net Basis*</b>	<b>Par Value Or Number Of Shares</b>	<b>Transaction Value</b>
<b>Equity Securities</b>		
Syndicate Transactions		
Bache Halsey Stuart Shields Inc.	2,000	\$ 119,750
Becker Securities Corp.	6,000	199,875
Blair (William) & Co.	1,300	77,838
Blyth Eastman Dillon & Co., Inc.	7,000	196,000
Bruan, Gordon & Co.	5,000	140,000
Donaldson, Lufkin & Jenrette Sec. Corp.	5,000	140,000
Drexel Burnham Lambert Inc.	10,000	280,000
Hutton (E.F.) & Co. Inc.	5,000	140,000
Lawrence, Cyrus J.	5,000	140,000
Merrill Lynch, Pierce, Fenner & Smith, Inc.	12,500	589,062
Oppenheimer & Co., Inc.	10,000	280,000
Paine, Webber, Jackson & Curtis, Inc.	5,000	299,375
Robinson-Humphrey	1,200	71,850
Rotan Mosle Inc.	3,000	84,000
Smith Barney Harris Upham	2,000	119,750
<b>Equity Securities</b>		
Third Market and/or Over-the-Counter Transactions		
Bear, Stearns & Co.	\$ 650,000	\$ 706,250
Drexel Burnham Lambert Inc.	\$ 600,000	710,250
First (The) Boston Corp.	\$ 3,663,000	4,167,249
Goldman, Sachs & Co.	\$ 5,155,000	6,009,995
Goldman, Sachs & Co.	142,000	7,097,717
Jefferies & Co.	36,040	1,149,305
Merrill Lynch, Pierce, Fenner & Smith, Inc.	155,000	4,159,375
Merrill Lynch White Weld Capital Markets Group	25,000	710,625
<b>Fixed Income Securities</b>		
Syndicate Transactions		
Bear, Stearns & Co.	\$ 1,250,000	\$ 1,247,250
Drexel Burnham Lambert Inc.	1,250,000	1,246,700
Faulkner Dawkins & Sullivan Inc.	500,000	498,500
First (The) Boston Corp.	6,750,000	6,601,313
Harris Trust & Savings Bank	2,000,000	2,000,000
Hutton (E.F.) & Co. Inc.	100,000	98,900
Kidder, Peabody & Co., Inc.	100,000	100,000
Kuhn, Loeb & Co. Inc.	250,000	247,250
Loeb Rhoades, Hornblower & Co.	3,000,000	2,948,750
Merrill Lynch, Pierce, Fenner & Smith, Inc.	8,900,000	8,740,312
Morgan Stanley & Co., Inc.	4,500,000	4,460,625

\* Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the Brokers and Dealers.

# INVESTMENT TRANSACTIONS WITH BROKERS AND DEALERS

YEAR ENDED JUNE 30, 1978

<b>Transactions Executed on a Net Basis (continued)*</b>	<b>Par Value or Number of Shares</b>	<b>Transaction Value</b>
<b>Fixed Income Securities</b>		
Syndicate Transactions (continued)		
Paine, Webber, Jackson & Curtis, Inc.	\$ 4,250,000	\$ 4,181,000
Rothschild (L.F.) & Co.	500,000	494,500
Salomon Brothers	13,550,000	13,541,500
Shearson Hayden Stone Inc.	750,000	741,750
Smith Barney Harris Upham	500,000	496,500
Weeden & Co., Inc.	250,000	247,250
Wertheim & Co., Inc.	600,000	595,400
Witter (Dean) & Co., Inc.	250,000	249,250
<b>Fixed Income Securities</b>		
Secondary Market Transactions		
Government Obligations		
First (The) Boston Corp.	\$64,907,000	\$63,289,621
Goldman, Sachs & Co.	7,000,000	7,240,625
Harris Trust & Savings Bank	53,200,000	52,967,604
Loeb Rhoades, Hornblower & Co.	20,000,000	19,292,188
Merrill Lynch, Pierce, Fenner & Smith, Inc.	38,157,000	38,147,160
Morgan Stanley & Co., Inc.	11,358,000	11,161,823
Paine, Webber, Jackson & Curtis, Inc.	4,936,000	4,809,344
Salomon Brothers	17,250,000	17,169,492
Thomson McKinnon Securities Inc.	9,904,000	9,403,007
<b>Fixed Income Securities</b>		
Secondary Market Transactions		
Corporate Obligations		
Bear, Stearns & Co.	\$11,500,000	\$11,433,325
Becker Securities Corp.	3,048,000	3,402,635
Dillon, Read & Co., Inc.	1,500,000	1,629,375
Drexel Burnham Lambert Inc.	7,250,000	7,070,100
First (The) Boston Corp.	2,000,000	1,993,925
Goldman, Sachs & Co.	7,600,000	7,738,625
Hutton (E.F.) & Co. Inc.	4,400,000	3,613,808
Loeb Rhoades, Hornblower & Co.	5,200,000	5,276,559
Merrill Lynch, Pierce, Fenner & Smith, Inc.	10,000,000	10,560,000
Morgan Stanley & Co., Inc.	16,900,000	17,150,874
Paine, Webber, Jackson & Curtis, Inc.	4,800,000	4,754,490
Salomon Brothers	46,050,000	46,008,356
Weeden & Co., Inc.	5,250,000	5,064,943
Wertheim & Co., Inc.	11,000,000	11,472,500
White, Weld & Co., Inc.	3,300,000	3,430,198
Witter (Dean) & Co., Inc.	3,000,000	3,055,875

\* Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the Brokers and Dealers.

## PORTFOLIO DATA — ILLINOIS BOND FUND

	<b>Fiscal Years Ending June 30</b>		
	<b>1978</b>	<b>1977</b>	<b>1976</b>
Total Net Assets at Market*	\$505.8	\$476.8	\$393.5
Net Investment Income*	38.8	34.6	28.9
Net Realized and Unrealized Gain on Investments*	(28.9)	19.9	6.4
Total Return	2.1%	13.2%	10.2%
Average Maturity**	16 years	20 years	25 years
Average Coupon	8.5%	8.4%	8.4%
Average Quality (AAA=4, AA=3)	3.7	3.7	3.6

### Maturity Distribution

Cash & Equivalents	19.5%	12.2%	3.3%
1 - 5	23.8	18.4	4.2
6 - 10	4.3	4.8	5.7
11 - 15**	18.0	12.1	5.0
16 - 20	0.7	0.4	2.9
21 - 25	9.4	19.0	30.2
26 - 30	14.6	19.9	27.0
over 30	9.7	13.2	21.7
	100.0%	100.0%	100.0%

\* In \$ millions

\*\* Government National Mortgage Assoc. and Federal Home Loan Mortgage Corp. securities with approximately 30 year final maturities and estimated average lives of 12 years considered as 12 year maturities.

### Quality Analysis

U.S. Government & Agency	49%	40%	30%
AAA	19	29	40
AA	23	25	24
A (excluding cash & equivalents)	9	6	6
	100%	100%	100%

### Industry Diversification

U.S. Government & Agency	39.8%	34.8%	29.4%
Canadian	4.3	4.8	4.9
Telephone	11.7	16.1	24.1
Electric/Gas Utilities	5.6	6.5	6.8
Industrial	12.5	19.4	30.3
Bank and Finance	6.6	6.2	1.2
Cash and Equivalents	19.5	12.2	3.3
	100.0%	100.0%	100.0%

## PORTFOLIO DATA — ILLINOIS EQUITY FUND

	<b>Fiscal Years Ending June 30</b>		
	<b>1978</b>	<b>1977</b>	<b>1976</b>
Total Net Assets at Market*	\$204.1	\$186.6	\$190.5
Net Investment Income*	8.7	6.9	6.3
Net Realized and Unrealized Gain on Investments*	(10.2)	(14.3)	10.2
Total Return	( 1.1)%	( 3.4)%	9.4%

\* In \$ millions

### Five Largest Industry Positions

	<b>Illinois Equity Fund</b>	<b>S&amp;P 500</b>
Office Equipment	8.57%	8.53%
Oil—Domestic & Exploration	7.92	5.95
Chemicals	6.38	3.61
Retail	5.53	4.03
Insurance	5.06	2.80

### Fifteen Largest Holdings

<b>Security</b>	<b>Market Value</b>	<b>Percent Illinois Equity Fund</b>
I.B.M.	\$ 10,804,500	5.3%
Standard Oil of California	5,183,750	2.6
Kraft Inc.	4,762,500	2.3
Burroughs Corp.	4,335,000	2.1
Getty Oil	4,267,500	2.1
General Foods Corp.	3,953,125	1.9
Caterpillar Tractor - Conv. Deb. 5½%, due 6/30/2000	3,883,413	1.9
Sperry Rand - Conv. Deb. 6%, due 12/15/2000	3,754,300	1.9
Exxon Corp.	3,725,690	1.8
American Tel. & Tel.	3,592,500	1.8
Dresser Industries	3,540,000	1.7
General Electric Co.	3,535,000	1.7
Melville Corp.	3,272,500	1.6
Southwestern Life Insurance	3,261,563	1.6
Champion International Corp.	3,258,750	1.6

### Major Purchases

Getty Oil	\$4,707,945
Caterpillar Tractor - Conv. Deb. 5½% due 6/30/2000	4,704,472
Sperry Rand - Conv. Deb. 6% due 12/15/2000	3,872,499
Standard Oil of California	3,662,675
Dresser Industries	3,256,738
Atlantic Richfield - Common	3,240,000
Public Service Electric & Gas	2,739,053
Morgan (J.P.)	2,700,538
Baltimore Gas & Electric	2,662,013
U.S. Fidelity & Guaranty	2,610,143
Baxter Travenol Labs. - Conv. Deb. 4¾% due 11/1/91	2,398,773

### Major Sales

Caterpillar Tractor - Common	\$4,641,915
General Motors	4,168,773
Sperry Rand - Common	3,858,964
Franklin Life Insurance	3,324,375
Atlantic Richfield - \$2.80 Cum. Conv. Pfd.	3,241,392
Hewlett-Packard	2,784,357
Texas Instruments	2,699,804
Sears, Roebuck & Co.	2,423,881
Baxter Travenol Labs. - Common	2,350,718
U.S. Fidelity & Guaranty	2,348,485
Bethlehem Steel	2,044,632

# BOARD MEMBERS



left to right — Donald R. Smith, State Treasurer; Daniel D. Sugerman; G. Ross Forbes, Jr.; A.D. VanMeter, Jr., Vice Chairman; Judge Robert J. Downing, Chairman; Robert J. Harmon, Director; Senator Robert J. Egan; and Elaine C. Mason

## Chairman

### Judge Robert J. Downing

Chairman, Board of Trustees  
Judges Retirement System of Illinois

## Vice Chairman

### A.D. VanMeter, Jr.

Appointed Member

## Recording Secretary

### Donald A. Belgrad

Appointed Member

## Representative John J. Beatty

Chairman, Board of Trustees  
General Assembly Retirement System

### Joseph Butler

Appointed Member

### Senator Robert J. Egan

Chairman, Illinois Public  
Employees Pension Laws Commission

### G. Ross Forbes, Jr.

Chairman, Board of Trustees  
State Employees' Retirement System  
of Illinois

### Elaine C. Mason

Appointed Member

### Donald R. Smith

Treasurer, State of Illinois

### Daniel D. Sugerman\*

Appointed Member

## Accounting and Audit Committee

### Joseph Butler

### Judge Robert J. Downing

### G. Ross Forbes, Jr.

### Elaine C. Mason

### Treasurer Donald R. Smith

### Daniel D. Sugerman, Chairman\*

## Executive Committee

### Donald A. Belgrad

### Judge Robert J. Downing, Chairman

### Senator Robert J. Egan

### A.D. VanMeter, Jr.

## Investment Policy Committee

### Donald A. Belgrad

### Judge Robert J. Downing

### Senator Robert J. Egan

### Treasurer Donald R. Smith

### A.D. VanMeter, Jr., Chairman

## Staff

### DIRECTOR

### Robert J. Harmon

### INVESTMENT OFFICERS

### Larry G. Darlington

### Donald L. Wampach

### FINANCIAL OFFICER

### Walter W. Reider

## Investment Counsel

### Continental Illinois National

### Bank and Trust Company

Chicago, Illinois

## Custodian

### American National Bank

### and Trust Company

Chicago, Illinois

## Legal Counsel

### Robert A. Tingler

### Alexander P. White

## Consulting Actuary

### A.A. Weinberg



Seated is Robert J. Harmon, Director  
Standing left to right — Katherine A. Bartell,  
Donald L. Wampach, Larry G. Darlington, and  
Walter W. Reider



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1978/79

# Illinois State Board of Investment

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FEB 7 1979  
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2/22/79

ANNUAL REPORT  
1979



# TABLE OF CONTENTS

---

**2** Financial Highlights - Fiscal Years 1979 and 1978

**3** Letter to Trustees

**6** Financial Summary - Five Year History

## Financial Statements

**7-8** Illinois State Board of Investment Commingled Fund

**9-10** Notes to Financial Statements

**11** Accountants' Report

## Supplemental Financial Information

**13-17** Portfolio

**18-19** Portfolio Data

**20-24** Transactions

**25-27** Brokers and Dealers Used

**28** Board Members

Compliance Audit Report - See separate documents on file with the Auditor General of the State of Illinois.

**ILLINOIS STATE  
BOARD OF  
INVESTMENT  
FINANCIAL  
HIGHLIGHTS**

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**Fiscal Years Ended June 30 (At market value in \$ millions)**

	<b>1979</b>	<b>1978</b>	<b>Change</b>
Illinois State Board of Investment Commingled Fund	\$841.7	\$714.1	\$127.6
Income Distributed	61.4	46.9	14.5
Net Appreciation (Depreciation)	12.3	(38.3)	50.6
New Money Contributions	53.9	38.4	15.5
Total Return*	9.5%	1.3%	8.2%
Average Income Yield*	7.9	6.8	1.1
Statutory Equity Ratio (at cost)	15.3%	23.6%	(8.3)%
Retirement System Participation			
General Assembly	\$ 11.1	\$ 9.9	\$ 1.2
Judges	48.0	39.9	8.1
State Employees'	782.6	664.3	118.3
Management Expenses (000)	\$427.0	\$387.0	\$ 40.0
Percent - average net assets	.05%	.06%	(.01)%

\*Total return is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash flow. Average Income Yield is the income earned for the year divided by the average market value of assets employed.

## **Trustees:**

The General Assembly Retirement System  
The Judges Retirement System of Illinois  
The State Employees' Retirement System of Illinois

The Illinois State Board of Investment is pleased to submit herewith its Annual Report for the fiscal year ended June 30, 1979.

## **Financial Highlights**

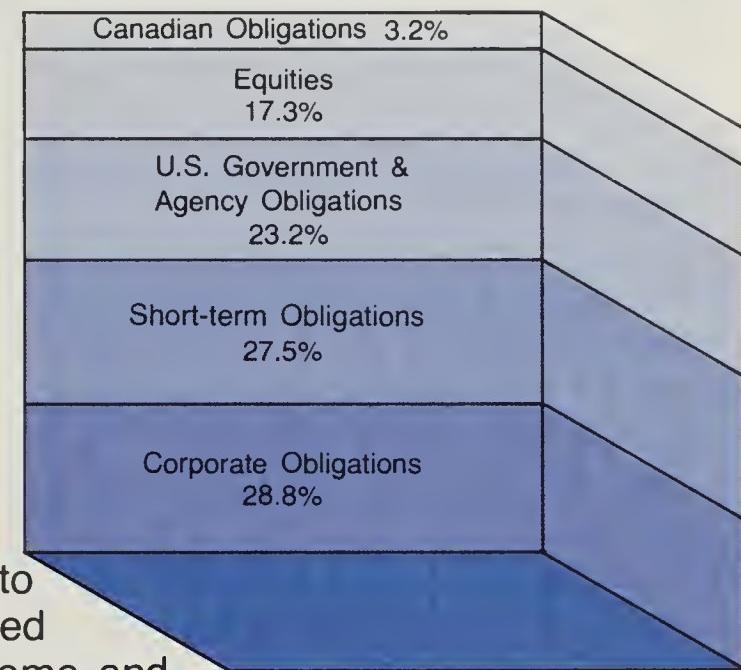
On June 30, 1979, the market value of all the assets managed by the Board was \$841.7 million. This figure, an increase of \$127.6 million from fiscal year 1978, was composed of the following elements: income earned — \$61.4 million; new money contributions — \$53.9 million; net appreciation of the underlying assets — \$12.3 million. 55.2% of the total market value or \$464.6 million was invested in fixed income securities. The balance of the fund was split 17.3% in equities and 27.5% in short-term obligations. The diversification of the security holdings among the major classifications is more precisely reflected in the accompanying chart.

## **Investment Policy & Strategy**

On July 1, 1978, the Board created the Illinois State Board of Investment Commingled Fund through a merger of the Illinois Bond Fund, Illinois Equity Fund, and the Segregated Investment Funds. The purpose of this consolidation was to strengthen the control over investment policy through increased flexibility in the allocation of cash reserves between fixed income and equity investments. The Board's investment policy and strategy would be more uniformly applied to each member system irrespective of cash flow. The impact on the total portfolio of a change in position from equity to fixed income or vice versa would be immediate, consequently affecting the investment of each member system irrespective of the timing of their contributions. In addition, it simplifies the Board's accounting and reporting. The result is that the Illinois State Board of Investment Commingled Fund now includes all the assets under the Board's supervision.

The overall strategy implemented by the Board in fiscal 1979 followed the defensive posture which was prevalent in the prior fiscal period. Continued rampant inflation, an energy crisis, high interest rates, and threats of an impending recession were the predominant economic factors leading to the defensive plan. The impact of this strategy is best borne out by review of the change in the position of cash equivalents as a component of the Fund. At fiscal year end the total invested in under-one-year maturities stood at \$225.5 million which was 27.5% of the total portfolio compared with \$154.8 million and 19.7% as corresponding figures at fiscal 1978 year end. Another illustration of this defensiveness was the reduction in equities from 23.9% of the portfolio to 17.3% by this fiscal year end.

As applied to the fixed income portion of the portfolio, the strategy reflected a marked decrease in issues with maturities of 1 to 10 years, while commitments in the long-term sector substantially increased. Government National Mortgage Association (GNMA) mortgage-backed, pass through securities and Federal Home Loan Mortgage Corporation mortgage participation certificates remained an important element in the fixed income area as they continued to provide attractive income yield and an overall greater return. Divergent views on the peaking of interest rates and the impact of



chronic inflation on the bond market contributed to the Board's decision to be cautious in committing funds to the market. The average coupon increased .5% to 9% during the fiscal year and the average maturity moved from 16 years to 22 years.

While the Commingled Fund represents the total portfolio, the Board still evaluates the performance of each component of the portfolio. The fixed income sector rallied in the last quarter and posted a total return for the fiscal year of 7.96% as compared to the Salomon Brothers High Grade Index figure of 7.22% for a similar period. This reflected a marked increase over fiscal 1978, when the fixed income return was 2.1%.

As previously mentioned, the short-term sector of the portfolio played a far more significant role in the strategy for this fiscal year. Continued high short-term interest rates coupled with the prevailing uncertain economic conditions made this area extremely attractive to investors. The yield from this portion of the portfolio was 9.24%.

On the equity side of the portfolio, the economic factors took their toll in certain areas while at the same time provided investment opportunities in such areas as energy (oil and related stocks), insurance, and communications. The advent of a recession increased the conservative attitude of the Board during the fiscal year which was reflected in a marked reduction in equities in relation to the total investment portfolio. The reduction in equity commitments enabled the Board to achieve another goal; namely to lower the number of issues used in the portfolio. At fiscal year end the equity portfolio contained 44 individual stocks as opposed to 68 at the previous year end. It is anticipated that the number of issues utilized will remain near this reduced level. The equity side of the portfolio made a very good contribution to total performance with an overall time-weighted return on investments of 17.7% which favorably compared to the S&P 500 which posted a 13.6% return for the same period. The Board continued throughout fiscal 1979 to maintain the upside equity limit at 30% of the total portfolio.

## Results

The income yield on the average market value of total assets increased in this fiscal year to 7.9% compared to 6.8% for the previous period. This is the highest income yield since the Board's inception.

The Board, being cognizant of the importance of investment results to each of the member systems and their respective participants, has retained the services of Merrill Lynch, Pierce, Fenner & Smith to independently evaluate the performance of the Commingled Fund. The study is made quarterly and written reports are filed with the Board and the Trustees of the member systems. Through these reports the Board can compare the results of its strategy and philosophy not only against major recognized indices such as Standard & Poor's 500 but against other pension systems which have like investment restrictions as well as bank operated commingled funds and mutual funds. The service also provides the Board and Staff with analysis of risk and diversification data which is valuable in formulating ongoing policy and strategy. The report for the year ended June 30, 1979, revealed that on a time-weighted basis the overall portfolio return was 10% which compared favorably with other public pension systems.

## Management Expenses

The Board has completed its second full year of total internal investment management which has enabled the Board to regulate management expenses. For fiscal year 1979 the total management expenses were \$426,644 which is .05% of the net

Management Expenses		
	Total Expense	Percent of Net Average Assets
1979	\$426,644	.05%
1978	386,999	.06
1977	443,784	.07
1976	684,511	.13

average assets under management during that period, as compared to \$386,999 and .06% for the previous year. The major area of increase was staff salaries and benefits, caused by payroll adjustments for cost of living increases and the addition of a new staff person. The increase was partially offset by a decrease in external support expenses. The percentage of expenses to net assets managed continued to decrease.

### **Additional Comments**

*Board Membership* — During fiscal 1979, the term of G. Ross Forbes, Jr. as Chairman of the State Employees' Retirement System, expired and John E. Gilchrist was appointed Chairman of that retirement system.

In February, 1979, Elaine C. Mason resigned as a member of the Board and Representative John J. Beatty resigned as Chairman of the General Assembly Retirement System. The Honorable William A. Redmond, Speaker of the House of Representatives, was elected Chairman of the General Assembly Retirement System and Marshall L. Burman was appointed to the Board to complete the unexpired term of Elaine C. Mason. The Board expresses its appreciation to those retiring members for their loyal service and innumerable contributions to the endeavors of the Board.

A.D. VanMeter, Jr., a member since 1970, was reappointed to the Board for a term expiring in January, 1983.

*State Employees Deferred Compensation Plan* — As a result of Congressional action in the fall of 1978, clarifying the Treasury Department's position on deferred compensation for public employees, the Board was able to authorize the implementation of the State Employees Deferred Compensation Plan. The Department of Personnel, as administrator of the plan, launched the initial enrollment period which culminated in over 2,500 State employees participating in the program. The success of this initial enrollment evidences a strong interest of State employees in this program. A revised Deferred Compensation Plan embodying all of the changes brought about by the recent legislative changes in the Internal Revenue Code has been drafted and will be implemented in fiscal year 1980.

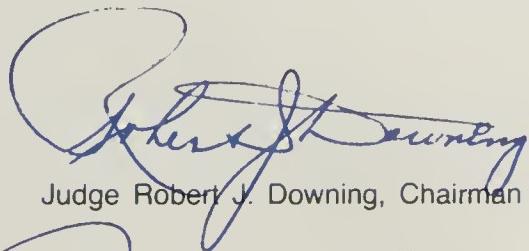
*Investment Transactions with Brokers/Dealers* — Commissions, resulting from equity transactions in fiscal year 1979, were paid in the amount of \$536,368 versus \$385,278 in fiscal 1978. In addition, there were transactions with Brokers/Dealers on Fixed Income Securities, Syndicate Transactions (Equity and Fixed Income) and on Secondary Markets in which commissions were not separately stated but were reflected in the net sales price quoted by the Brokers/Dealers. Details are set forth in the Supplemental Financial Information section of this report.

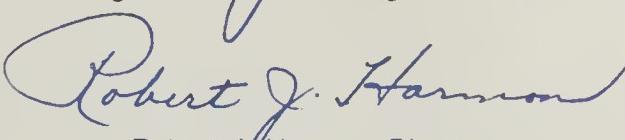
**Summary of Commissions Paid**

1979	\$536,368
1978	385,278
1977	514,464
1976	377,037

Detailed financial statements of the Commingled Fund and the Board's operation are presented in the following sections of this report.

Respectfully submitted, August 24, 1979

  
Judge Robert J. Downing, Chairman

  
Robert J. Harmon, Director

# FIVE YEAR SUMMARY

(000) FISCAL YEARS ENDED JUNE 30

	<b>1979</b>	<b>1978</b>	<b>1977</b>	<b>1976</b>	<b>1975</b>
<b>Total Net Assets</b> (at market value)	\$841,746	\$714,137	\$667,088	\$588,014	\$496,932
<b>Change in Net Assets</b>					
New Money Contributions	\$ 53,900	\$ 38,480	\$ 32,175	\$ 39,390	\$ 39,355
Net Appreciation (Depreciation)	12,321	(38,333)	5,970	17,187	23,532
Net Income	61,387	46,902	40,929	34,505	30,516
<b>Returns</b>					
Annual Total Return*	9.5%	1.3%	7.5%	9.5%	12.1%
Average Income Yield*	7.9	6.8	6.5	6.4	6.8
Compound Growth—9 years	6.2	5.6	6.4	6.2	5.3

\* Total Return is the combined effect of income earned and market appreciation, calculated to adjust for the timing of cash flow. Average Income Yield is the income earned for the year divided by the average market value of assets employed.

**ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND  
STATEMENT  
OF NET  
ASSETS**

JUNE 30, 1979

**Investments, at market (Note A):**

U.S. Government and Agency obligations	\$195,282,277	23.20%
Canadian obligations	26,528,372	3.15
Corporate obligations	242,809,225	28.85
Convertible preferred stock	1,085,000	.13
Common stock	144,386,264	17.15
Short-term obligations	<u>225,536,000</u>	<u>26.79</u>
	835,627,138	99.27
 <b>Other assets, less liabilities</b>	 <u>6,118,793</u>	 .73
 <b>Net assets (*)</b>	 <u>\$841,745,931</u>	 <u>100.00%</u>
 *Net assets, at cost	 \$895,021,326	
 Units outstanding	 9,051,915	
 Unit value	 \$92.99	

**ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND  
STATEMENT  
OF CHANGES  
IN NET  
ASSETS**

YEARS ENDED JUNE 30

	<b>1979</b>	<b>1978</b>
<b>Net Assets, at beginning of period</b>	\$714,137,289	\$667,087,821
Amount received for investment	53,900,000	38,480,000
Investment income	61,387,311	47,654,165
Net realized (loss) from sale of investments	(6,905,032)	(2,173,484)
Change in unrealized appreciation (depreciation) of investments	<u>19,226,363</u>	<u>(36,911,213)</u>
 <b>Net Assets, at end of period</b>	 <u>\$841,745,931</u>	 <u>\$714,137,289</u>

**ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND  
STATEMENT  
OF OPERATIONS**

YEAR ENDED JUNE 30, 1979

**Investment Income**

Income:

Interest	\$ 53,328,935
Dividends	8,485,020
	<hr/>
	61,813,955

Expense (Note A):

Salaries and benefits-	
Investment staff	170,613
Administrative staff	140,319
Operating expenses-	
Rent and utilities	21,431
Printing	10,925
Other	44,819
External support-	
Investment advisor	12,500
Custody	23,007
Actuary	3,030
	<hr/>
	426,644

**Net Investment Income**

**\$ 61,387,311**

**Realized and Unrealized Gain (Loss) on Investments**

Realized loss from security transactions

(excl. short-term):

Proceeds from sales	\$370,240,943
Cost of securities sold	377,145,975
Net realized loss	<hr/> <b>(6,905,032)</b>

Unrealized appreciation (depreciation)  
of investments:

Beginning of period	(26,232,601)
End of period	(7,006,238)
Change in unrealized	<hr/> <b>19,226,363</b>

**Net Realized and Unrealized Gain on Investments**

**\$ 12,321,331**

# NOTES TO FINANCIAL STATEMENTS

## Note A - Summary of Significant Accounting Policies

### Basis of Accounting:

The Board established the Illinois State Board of Investment Commingled Fund on July 1, 1978, through the merger of the Illinois Bond Fund, Illinois Equity Fund, and the Segregated Funds. This reorganization was accounted for retroactively and, accordingly, the statement of changes in net assets for fiscal 1978 represents combined amounts of the previously separate funds. Units of the Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net income of the Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective system.

Management expenses are deducted monthly from income before distribution. Each of the member systems' share of the total expenses for the fiscal year is as follows:

	June 30	
	1979	1978
General Assembly	\$ 5,861	\$ 5,490
Judges	24,145	21,629
State Employees'	396,638	359,880
	<u>\$426,644</u>	<u>\$386,999</u>

### Valuation of Investments:

Investments owned at June 30, 1979, are included in the financial statements at market value, determined as follows: (1) U.S. Government and agency obligations, Canadian obligations, and Corporate bonds - prices quoted by a major dealer in such securities; (2) Common and preferred stocks: (a) Listed - closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter - bid prices; (3) Illinois State Board of Investment Commingled Fund - net asset value of Fund.

The cost of U.S. Government and agency obligations and corporate bonds is average cost. Cost shown for common and preferred stocks is average cost. Short-term obligations are shown at average cost, which approximates market. Aggregate cost of outstanding units of the Illinois State Board of Investment Commingled Fund is the transfer value of the units of the Illinois Bond Fund and Illinois Equity Fund on July 1, 1978, and the assets of the Segregated Funds transferred on that date plus additional principal invested and net income reinvested.

**NOTES TO  
FINANCIAL  
STATEMENTS  
(continued)**

**Note B - Statement of Member Systems Participation**

**Member Systems Statement of Operations  
Fiscal Year Ended June 30, 1979**

	<b>General Assembly</b>	<b>Judges</b>	<b>State Employees'</b>	<b>Combined*</b>
Investment Income:				
Fiscal year 1978 income				
distributed in fiscal year 1979	\$ 55,929	\$ 230,637	\$ 3,791,832	\$ 4,078,398
Commingled Fund income	847,922	3,496,527	57,469,506	61,813,955
Expenses	5,861	24,145	396,638	426,644
Net income	842,061	3,472,382	57,072,868	61,387,311
Total income distributed	<u>\$ 897,990</u>	<u>\$ 3,703,019</u>	<u>\$ 60,864,700</u>	<u>\$ 65,465,709</u>

**Member Systems Statement of Changes in Net Assets  
Fiscal Year Ended June 30, 1979**

Net assets at beginning of period	<u>\$ 9,894,870</u>	<u>\$39,883,240</u>	<u>\$664,359,179</u>	<u>\$714,137,289</u>
Amounts received for investment	—	3,900,000	50,000,000	53,900,000
Investment income	897,990	3,703,019	60,864,700	65,465,709
Unrealized gain on investments	342,421	530,563	7,369,949	8,242,933
Net assets at end of period	<u>\$11,135,281</u>	<u>\$48,016,822</u>	<u>\$782,593,828</u>	<u>\$841,745,931</u>

The source of net assets of the Member Systems at June 30, 1979, is as follows:

Amounts received for investment	\$ 7,316,520	\$35,336,788	\$582,117,966	\$624,771,274
Accumulated income	4,915,184	16,102,166	276,566,975	297,584,325
Accumulated net realized loss on sale of investments	(331,088)	(415,351)	(26,587,833)	(27,334,272)
Unrealized depreciation of investments	(765,335)	(3,006,781)	(49,503,280)	(53,275,396)
Net assets (**)	<u>\$11,135,281</u>	<u>\$48,016,822</u>	<u>\$782,593,828</u>	<u>\$841,745,931</u>

\*\*Net assets, at cost

\*Combined columns for the Member Systems are presented for information purposes only and do not indicate that the assets of one system may be used for another system.

**Note C - State Employees Deferred Compensation Plan**

The Illinois State Board of Investment is assigned the responsibility to develop and establish the State Employees Deferred Compensation Plan (Illinois Revised Statutes, Chapter 108½, Section 24 of the Pension Code). In fiscal 1976 and 1977, the Board expended monies appropriated for this purpose totaling \$37,304 which are to be repaid to the General Revenue Fund from the State Employees Deferred Compensation Plan by June 30, 1986. These items are not included in the accompanying financial statements.

**ACCOUNTANTS'  
REPORT**

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**Illinois State Board of Investment and  
Auditor General, State of Illinois**

We have examined the statement of net assets of the Illinois State Board of Investment Commingled Fund as of June 30, 1979, and the related statement of operations for the year then ended and changes in net assets for each of the two years in the period then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Investments owned at June 30, 1979, which were held by the custodian, were counted by us. Securities purchased but not received by the custodian were confirmed to us by brokers.

In our opinion, the financial statements referred to above present fairly the net assets of the Illinois State Board of Investment Commingled Fund at June 30, 1979, and the results of its operations for the year then ended and changes in net assets for each of the two years in the period then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Whinney*

Chicago, Illinois  
August 16, 1979

# SUPPLEMENTAL FINANCIAL INFORMATION

**PORTFOLIO OF  
INVESTMENTS  
ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND**

JUNE 30, 1979

Rating Moody's:S&P	Par Value	Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity**	
<b>Bonds (55.20%)*</b>							
<b>Government Obligations (23.20%)</b>							
U.S. Treasury (7.76%)							
\$ 21,000,000	U.S. Treasury Bonds	8.625%	11/15/93	\$20,983,970.00	\$20,566,864	8.88%	
45,000,000	U.S. Treasury Bonds	8.750	11/15/08	44,338,556.20	44,746,864	8.80	
<u>66,000,000</u>	Total U.S. Treasury			<u>65,322,526.20</u>	<u>65,313,728</u>		
Federal Agency (15.44%)							
1,627,623	Federal Home Loan Mtg. Corp.	8.250	10/01/07	1,603,208.85	1,497,743	9.43	
11,474,302	Federal Home Loan Mtg. Corp.	8.500	2007-8	11,099,156.85	10,650,051	9.58	
13,687,942	Federal Home Loan Mtg. Corp.	8.750	2008	12,994,989.66	12,848,019	9.68	
14,227,131	Federal Home Loan Mtg. Corp.	9.000	06/01/08	13,862,560.76	13,497,866	9.76	
14,438,671	Federal Home Loan Mtg. Corp.	9.250	08/01/08	14,195,018.93	13,843,968	9.87	
10,000,000	Federal National Mtg. Assn.	8.700	10/10/80	10,000,000.00	9,931,250	9.27	
31,095,090	Governm't National Mtg. Assn.	7.500	2005-7	29,636,934.26	27,077,192	9.54	
16,699,573	Governm't National Mtg. Assn.	8.000	2000-6-7	16,605,798.36	15,170,365	9.48	
4,974,339	Governm't National Mtg. Assn.	9.000	10/15/08	4,868,633.80	4,749,672	9.79	
6,800,000	International Bank for R. & D.	8.000	01/01/80	6,927,913.00	6,736,250	9.96	
7,000,000	International Bank for R. & D.	8.600	07/15/85	7,283,730.00	6,752,380	9.38	
2,800,000	International Bank for R. & D.	8.850	12/15/85	2,907,219.00	2,738,500	9.31	
4,500,000	International Bank for R. & D.	9.350	12/15/00	4,500,000.00	4,475,293	9.41	
<u>139,324,671</u>	Total Federal Agency			<u>136,485,163.47</u>	<u>129,968,549</u>		
<u>205,324,671</u>	Total Governm't Obligations			<u>201,807,689.67</u>	<u>195,282,277</u>		
Canadian Obligations (3.15%)							
AA:AA	1,000,000	Brit. Col. Hydro. & Power Auth.	10.250	10/01/99	1,000,000.00	1,037,506	9.82
AA:AA	2,500,000	Brit. Col. Hydro. & Power Auth.	9.625	06/01/05	2,537,500.00	2,479,988	9.71
AA:AA	2,000,000	Brit. Col. Hydro. & Power Auth.	8.375	06/15/07	1,984,375.00	1,765,073	9.59
AAA:AAA	5,500,000	Government of Canada	9.250	10/15/98	5,500,000.00	5,451,264	9.35
A:A	1,500,000	New Brun. Elec. Power Comm.	8.750	08/01/07	1,480,000.00	1,350,223	9.80
AAA:AAA	5,500,000	Ontario Province, Canada	9.250	11/15/05	5,573,750.00	5,326,594	9.58
AAA:AAA	2,500,000	Ontario Province, Canada	9.375	06/01/08	2,500,000.00	2,450,074	9.58
AA:AA	3,500,000	Quebec Hydro. Elec. Comm.	10.700	08/01/99	3,505,625.00	3,651,382	10.19
AA:AA	3,000,000	Quebec Hydro. Elec. Comm.	10.250	01/15/05	3,018,750.00	3,016,268	10.19
<u>27,000,000</u>	Total Canadian Obligations			<u>27,100,000.00</u>	<u>26,528,372</u>		
Corporate Obligations (28.85%)							
Public Utilities (15.76%)							
Communications (11.47%)							
AAA:AAA	2,500,000	American Tel. & Tel.	8.625	02/01/07	2,468,750.00	2,380,707	9.10
AAA:AAA	4,250,000	Ches. & Potomac Tel., Md.	8.875	06/01/09	4,298,125.00	4,068,573	9.30
AAA:AAA	700,000	Ches. & Potomac Tel., Va.	9.250	12/15/15	703,528.00	696,373	9.30
AA:AA	1,900,000	Hawaiian Tel.	8.500	04/01/06	1,878,625.00	1,725,142	9.45
AAA:AAA	1,500,000	Michigan Bell Tel.	8.125	06/01/15	1,338,195.00	1,320,485	9.28
AAA:AAA	10,000,000	Mountain States Tel. & Tel.	9.250	12/15/14	9,891,875.00	9,948,376	9.30
AAA:AAA	6,000,000	New York Tel.	8.300	08/15/12	5,921,755.77	5,442,864	9.20
AAA:AAA	4,500,000	New York Tel.	8.625	06/15/16	4,587,873.18	4,137,145	9.41
AAA:AAA	3,000,000	Northwestern Bell Tel.	8.625	06/15/12	2,899,946.98	2,822,169	9.20
AAA:AAA	1,100,000	Northwestern Bell Tel.	8.125	03/15/17	985,820.00	975,791	9.20

\* Percentage of total portfolio at market value.

\*\* Based upon market value at June 30, 1979.

**PORTFOLIO OF  
INVESTMENTS -  
ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND  
(continued)**

JUNE 30, 1979

Rating Moody's: S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Bonds (continued)</b>							
<b>Corporate Obligations</b>							
Public Utilities							
Communications (continued)							
AAA:AAA	\$ 6,900,000	Pacific Northwest Bell Tel.	9.000%	11/01/12	\$ 7,019,125.00	\$ 6,633,626	9.38%
A:A	6,000,000	Pacific Tel. & Tel.	9.100	10/15/84	6,356,875.00	5,865,660	9.65
A:A	8,000,000	Pacific Tel. & Tel.	9.500	06/15/11	8,741,875.00	7,669,218	9.93
A:A	1,000,000	Pacific Tel. & Tel.	8.875	07/01/15	1,000,000.00	901,438	9.88
A:A	6,600,000	Pacific Tel. & Tel.	9.625	07/15/18	6,639,874.00	6,517,439	9.75
AAA:AAA	6,000,000	South Central Bell Tel.	9.200	04/01/10	6,384,460.00	5,909,534	9.35
AAA:AAA	500,000	South Central Bell Tel.	8.250	08/01/13	461,663.33	453,149	9.15
AAA:AAA	5,650,000	South Central Bell Tel.	8.250	03/01/17	5,137,597.50	5,113,363	9.15
AAA:AAA	3,750,000	Southern Bell Tel.	8.250	04/15/16	3,379,230.00	3,412,979	9.10
AAA:AAA	10,000,000	Southwestern Bell Tel.	8.500	03/15/16	9,665,380.00	9,237,907	9.23
AAA:AAA	12,500,000	Southwestern Bell Tel.	8.250	04/01/17	11,455,300.93	11,312,438	9.15
	<u>102,350,000</u>	Total Communications			<u>101,215,874.69</u>	<u>96,544,376</u>	
Electric Utilities (4.29%)							
AA:AA	8,500,000	Baltimore Gas & Electric	9.375	07/01/08	8,476,060.00	8,154,358	9.80
A:A	1,500,000	Hawaiian Electric	11.250	12/01/04	1,500,000.00	1,577,096	10.66
AA:AA	5,000,000	Houston Light & Power	9.250	12/01/08	4,921,250.00	4,901,172	9.45
AA:AA	4,000,000	Kentucky Utilities	9.250	06/01/06	4,051,250.00	3,760,399	9.89
A:AA	2,000,000	National Rural Utilities	10.500	11/01/81	2,200,000.00	2,016,712	10.08
AA:AA	2,000,000	Public Service of Indiana	9.600	08/01/05	2,000,000.00	1,966,238	9.78
AA:AA	8,000,000	Southern Calif. Edison	9.625	11/01/03	7,977,990.00	7,813,267	9.88
AAA:AAA	2,500,000	Texas Elec. Service	9.500	02/01/09	2,482,500.00	2,487,738	9.55
AAA:AAA	1,500,000	Texas Power & Light	9.375	02/01/09	1,474,687.50	1,467,036	9.60
AA:AA	<u>2,250,000</u>	Wisconsin Public Service	8.200	02/01/12	<u>2,241,000.00</u>	<u>1,975,132</u>	9.41
	<u>37,250,000</u>	Total Electric Utilities			<u>37,324,737.50</u>	<u>36,119,148</u>	
	<u>139,600,000</u>	Total Public Utilities			<u>138,540,612.19</u>	<u>132,663,524</u>	
Industrials (5.58%)							
AA:AA	2,500,000	Abbott Laboratories	9.200	10/15/99	2,526,680.00	2,518,339	9.12
A:A	2,000,000	Aluminum Co. of America	9.450	05/15/00	2,000,000.00	2,005,436	9.42
AA:AA	1,000,000	Anheuser Busch	9.200	04/01/05	1,000,000.00	1,005,907	9.14
AA:AA	1,500,000	Atlantic Richfield	8.625	04/01/00	1,539,375.00	1,431,373	9.12
AA:AA	5,000,000	Continental Oil	8.875	06/01/01	4,987,500.00	4,870,864	9.15
AA:AA	2,000,000	Deere & Co.	8.000	11/15/02	1,978,000.00	1,816,927	8.94
AAA:AAA	4,000,000	duPont de Nemours	8.450	11/15/04	3,925,000.00	3,812,250	8.92
AAA:AAA	2,500,000	Exxon Pipeline	9.000	10/15/04	2,515,500.00	2,477,860	9.09
AAA:AAA	4,000,000	Ford Motor	7.400	01/15/80	4,035,000.00	3,943,740	10.12
A:A	1,000,000	McDermott (J. Ray)	9.700	12/01/99	1,015,000.00	986,909	9.85
A:A	1,900,000	Owens Illinois	9.350	11/01/99	2,034,750.00	1,886,354	9.43
A:AA	1,000,000	Penney (J.C.)	9.000	06/15/99	1,000,000.00	975,646	9.27
A:A	2,000,000	Philip Morris	8.875	06/01/04	1,987,500.00	1,925,558	9.26
AA:AA	2,000,000	Richardson-Merrell	8.850	12/15/99	2,000,000.00	1,944,937	9.15
AAA:AAA	3,000,000	Shell Oil	8.750	05/15/05	2,977,500.00	2,919,356	9.02
A:AA	3,000,000	Sohio/BP Trans. Alaska Pipeline	9.750	12/01/99	3,040,000.00	3,010,573	9.71
AAA:AA	4,250,000	Texaco	8.875	05/01/05	4,358,057.37	4,130,837	9.16
AA:AA	3,000,000	Union Carbide	8.500	01/05/05	3,003,750.00	2,822,567	9.10
AA:AA	<u>2,500,000</u>	Weyerhaeuser	8.900	11/15/04	<u>2,510,965.00</u>	<u>2,445,965</u>	9.12
	<u>48,150,000</u>	Total Industrials			<u>48,434,577.37</u>	<u>46,931,398</u>	

Rating Moody's:S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Bonds</b>							
<b>Corporate Obligations</b>							
Bank and Finance (7.51%)							
AA:AA	\$ 5,700,000	Beneficial Corporation	9.750%	10/15/79	\$ 5,901,537.07	\$ 5,690,807	10.32%
AAA:AAA	15,000,000	Citicorp Floating Rate	11.050	09/01/98	15,052,500.00	15,150,000	*
AAA:AAA	15,000,000	Citicorp Floating Rate	11.100	05/01/04	15,039,218.75	15,112,500	*
AAA:AAA	5,000,000	First Bank System Floating Rate	11.100	05/15/89	5,000,000.00	4,993,750	*
AAA:AAA	8,750,000	Ford Motor Credit	9.750	10/01/81	9,362,716.00	8,755,201	9.71
AAA:AAA	3,350,000	Ford Motor Credit	10.500	10/01/94	3,747,437.50	3,530,960	9.81
AAA:AAA	11,000,000	General Motors Acceptance	8.250	11/15/06	10,380,050.00	9,981,085	9.18
	63,800,000	Total Bank and Finance			64,483,459.32	63,214,303	
	251,550,000	Total Corporate Obligations			251,458,648.88	242,809,225	
	\$483,874,671	Total Bonds			\$480,366,338.55	\$464,619,874	

\* Due to the fluctuation of the interest rate over the life of the note  
the customary yield-to-maturity calculation cannot be made.

Shares			Cost	Market Value	Indicated Yield**
<b>Common Stock (17.15%)</b>					
Credit Sensitive (4.90%)					
Banking (0.34%)					
60,000	Morgan (J.P.)		\$ 2,700,537.50	\$ 2,895,000	5.18%
	Building Materials (0.58%)				
115,000	Champion International		2,748,707.00	2,803,125	5.09
78,183	Georgia-Pacific		2,053,442.08	2,120,714	4.06
193,183			4,802,149.08	4,923,839	
	Insurance (1.31%)				
85,000	Connecticut General		2,922,804.17	3,315,000	3.38
125,000	Southwestern Life		2,462,805.40	4,093,750	3.05
100,000	U.S. Fidelity & Guaranty		3,260,430.00	3,587,500	6.69
310,000			8,646,039.57	10,996,250	
	Utilities-Electric (1.56%)				
150,000	Baltimore Gas & Electric		3,889,887.50	3,712,500	9.86
200,000	Commonwealth Edison		5,439,575.00	4,725,000	11.01
220,000	Public Service Electric & Gas		5,077,825.00	4,702,500	10.29
570,000			14,407,287.50	13,140,000	
	Utilities-Telephone (1.11%)				
80,000	American Tel. & Tel.		4,401,643.75	4,630,000	8.64
250,000	United Telecommunications		4,710,125.00	4,718,750	7.63
330,000			9,111,768.75	9,348,750	
1,463,183	Total Credit Sensitive		39,667,782.40	41,303,839	
	Consumer Staples (4.84%)				
	Drugs & Health Care (0.59%)				
60,000	Abbott Laboratories		1,951,387.50	2,047,500	2.93
90,000	Bristol-Myers		3,066,150.00	2,902,500	4.47
150,000			5,017,537.50	4,950,000	

\*\*Based upon market value at June 30, 1979.

**PORTFOLIO OF  
INVESTMENTS-  
ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND  
(continued)**

JUNE 30, 1979

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Common Stock (continued)</b>				
Consumer Staples (continued)				
Entertainment & Services (1.24%)				
77,000	Gannett	\$ 3,245,052.50	\$ 3,416,875	3.97%
80,000	Knight-Ridder Newspapers	1,846,662.50	1,710,000	3.27
175,000	McGraw-Hill	3,781,465.46	4,331,250	5.17
42,500	New York Times Class A	1,169,737.50	982,812	3.46
<u>374,500</u>		<u>10,042,917.96</u>	<u>10,440,937</u>	
Food & Beverages (1.03%)				
125,000	General Foods	3,996,583.00	3,968,750	5.67
100,000	Kraft	4,523,932.96	4,675,000	6.42
<u>225,000</u>		<u>8,520,515.96</u>	<u>8,643,750</u>	
Retail (0.95%)				
25,000	Macy (R.H.)	1,045,537.50	953,125	4.85
110,500	Melville	2,795,568.38	3,163,063	4.89
105,000	Rite Aid	2,225,650.00	2,218,125	2.56
56,000	Winn-Dixie Stores	1,847,566.11	1,652,000	4.88
<u>296,500</u>		<u>7,914,321.99</u>	<u>7,986,313</u>	
Tobacco (1.03%)				
120,000	Philip Morris	3,855,925.50	4,140,000	3.62
80,000	Reynolds (R.J.) Industries	4,528,812.50	4,560,000	6.67
<u>200,000</u>		<u>8,384,738.00</u>	<u>8,700,000</u>	
<u>1,246,000</u>	Total Consumer Staples	<u>39,880,031.41</u>	<u>40,721,000</u>	
Basic Industries & Services (1.02%)				
Containers, Packaging (0.33%)				
100,000	Federal Paper Board Industries	2,488,462.50	2,800,000	3.21
Paper (0.28%)				
70,000	Great Northern Nekoosa	2,419,366.60	2,362,500	4.15
Transportation (0.41%)				
50,000	Union Pacific	2,681,741.07	3,418,750	3.36
<u>220,000</u>	Total Basic Industries & Services	<u>7,589,570.17</u>	<u>8,581,250</u>	
Energy (2.93%)				
Oil-Domestic & Exploration (1.19%)				
20,000	Atlantic Richfield	1,185,087.50	1,350,000	4.15
50,000	Getty Oil	2,207,602.09	2,512,500	2.79
75,000	Phillips Petroleum	2,383,828.12	2,868,750	3.66
50,000	Standard Oil (Indiana)	2,471,131.73	3,287,500	4.56
<u>195,000</u>		<u>8,247,649.44</u>	<u>10,018,750</u>	
Oil-International (0.94%)				
50,000	Exxon	2,094,322.12	2,693,750	6.68
40,000	Mobil	1,449,212.50	1,570,000	6.11
49,100	Standard Oil of California	1,887,472.98	2,381,350	5.77
45,000	Texaco	1,140,004.69	1,243,125	7.82
<u>184,100</u>		<u>6,571,012.29</u>	<u>7,888,225</u>	
Oil Service & Equipment (0.80%)				
100,000	Dresser Industries	4,077,200.00	4,537,500	2.20
40,000	Smith International	1,831,883.77	2,215,000	2.02
<u>140,000</u>		<u>5,909,083.77</u>	<u>6,752,500</u>	
<u>519,100</u>	Total Energy	<u>20,727,745.50</u>	<u>24,659,475</u>	

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Common Stock</b>				
	Capital Goods (3.27%)			
	Electrical Equipment (0.42%)			
<u>70,000</u>	General Electric	<u>\$ 3,893,875.62</u>	<u>\$ 3,500,000</u>	<u>5.60%</u>
	Machinery (0.70%)			
50,000	Emhart	1,754,593.50	1,831,250	6.01
<u>150,000</u>	Sundstrand	<u>3,584,544.00</u>	<u>4,106,250</u>	<u>3.65</u>
<u>200,000</u>		<u>5,339,137.50</u>	<u>5,937,500</u>	
	Office Equipment (2.15%)			
70,000	Burroughs	5,638,748.62	4,917,500	2.85
<u>180,000</u>	International Business Machines	<u>11,320,206.91</u>	<u>13,207,500</u>	<u>4.69</u>
<u>250,000</u>		<u>16,958,955.53</u>	<u>18,125,000</u>	
<u>520,000</u>	Total Capital Goods	<u>26,191,968.65</u>	<u>27,562,500</u>	
	Multi-Industry (0.19%)			
<u>42,400</u>	TRW	<u>1,505,590.76</u>	<u>1,558,200</u>	<u>5.44</u>
<u>4,010,683</u>	Total Common Stock .	<u>135,562,688.89</u>	<u>144,386,264</u>	
	Convertible Preferred (0.13%)			
<u>15,500</u>	TRW Pref. 3 cv \$4.50	<u>1,168,347.73</u>	<u>1,085,000</u>	<u>6.43</u>
<u>4,026,183</u>	Total Common & Preferred Stock	<u>136,731,036.62</u>	<u>145,471,264</u>	
<b>Par Value</b>	<b>Short-Term Obligations (26.79%)</b>			
\$ 18,681,000	Allstate Financial	18,681,000.00	18,681,000	9.92
13,841,000	Beneficial Corporation	13,841,000.00	13,841,000	9.67
18,727,000	C.I.T. Financial	18,727,000.00	18,727,000	9.84
10,422,000	Continental Illinois Corporation	10,422,000.00	10,422,000	10.03
6,623,000	Continental Illinois National Bank C.D.	6,623,000.00	6,623,000	11.13
34,513,000	Ford Motor Credit	34,513,000.00	34,513,000	9.88
17,493,000	General Electric Credit	17,493,000.00	17,493,000	9.91
30,827,000	General Motors Credit	30,827,000.00	30,827,000	9.87
8,952,000	Household Finance	8,952,000.00	8,952,000	9.81
5,433,000	I.T.T. Financial	5,433,000.00	5,433,000	9.64
17,091,000	Montgomery Ward Credit	17,091,000.00	17,091,000	9.91
22,934,000	Sears Roebuck Acceptance	22,934,000.00	22,934,000	10.07
19,999,000	Walter E. Heller	19,999,000.00	19,999,000	10.02
<u>\$225,536,000</u>		<u>225,536,000.00</u>	<u>225,536,000</u>	
	<b>Total Investments</b>	<u>842,633,375.17</u>	<u>835,627,138</u>	
	Other Assets, less liabilities (0.73%)			
	Cash	(777,200.80)	(777,201)	
	Receivable for:			
	Investments sold	1,434,871.99	1,434,872	
	Dividends & Interest	12,079,330.63	12,079,330	
	Payable for:			
	Investments purchased	(6,601,053.00)	(6,601,053)	
	Operating expenses	(17,155.44)	(17,155)	
	Total Other Assets, less liabilities	<u>6,118,793.38</u>	<u>6,118,793</u>	
	Undistributed net realized loss	<u>46,269,157.95</u>	<u>—</u>	
	<b>Net Assets</b>	<u>\$895,021,326.50</u>	<u>\$841,745,931</u>	

**PORTFOLIO  
DATA**

	Fiscal Years Ended June 30	
	1979	1978
<b>TOTAL PORTFOLIO</b>		
Total Net Assets at Market*	\$841.7	\$714.1
Net Investment Income*	64.1	46.9
Net Realized and Unrealized Gain (Loss) on Investments*	12.3	(38.3)
Total Return	9.5%	1.3%

\*In \$ millions

**BOND PORTFOLIO**

Average Maturity**	22 yrs.	16 yrs.
Average Coupon	9.0%	8.5%
Average Quality (AAA=4, AA=3)	3.7	3.7

**Maturity Distribution**

Under 6 years	9.2%	29.6%
6-10	3.1	5.4
11-15**	26.6	22.3
16-25	18.6	12.5
over 25	42.5	30.2
	<hr/>	<hr/>
	100.0%	100.0%

\*\*Government National Mortgage Assoc. and Federal Home Loan Mortgage Corp. securities with approximately 30 year final maturities and estimated average lives of 12 years considered as 12 year maturities.

**Quality Analysis**

U.S. Government & Agency	42.0%	49.5%
AAA	34.8	18.6
AA	15.3	22.5
A	7.9	9.4
	<hr/>	<hr/>
	100.0%	100.0%

**Industry Diversification**

U.S. Government & Agency	42.0%	49.5%
Canadian	5.7	5.3
Telephone	20.8	14.5
Electric/Gas Utilities	7.8	7.0
Industrial	10.1	15.5
Bank and Finance	13.6	8.2
	<hr/>	<hr/>
	100.0%	100.0%

## EQUITY PORTFOLIO

### Five Largest Industry Positions

	<b>Percent of Equities Held</b>	<b>S&amp;P 500</b>
Office Equipment	12.5%	8.7%
Utilities—Electric	9.0	4.1
Insurance	7.6	2.9
Entertainment & Services	7.2	4.5
Oil—Domestic & Exploration	6.9	6.8

### Fifteen Largest Holdings

<b>Security</b>	<b>Market Value</b>	<b>Percent of Equities Held</b>
International Business Machines	\$13,207,500	9.1%
Burroughs	4,917,500	3.4
Commonwealth Edison	4,725,000	3.2
United Telecommunications	4,718,750	3.2
Public Service Electric & Gas	4,702,500	3.2
Kraft	4,675,000	3.2
American Tel. & Tel.	4,630,000	3.2
Reynolds (R.J.) Industries	4,560,000	3.1
Dresser Industries	4,537,500	3.1
McGraw-Hill	4,331,250	3.0
Philip Morris	4,140,000	2.8
Sundstrand	4,106,250	2.8
Southwestern Life Insurance	4,093,750	2.8
General Foods	3,968,750	2.7
Baltimore Gas & Electric	3,712,500	2.5

### Major Purchases

Standard Oil (Indiana)	\$4,864,775
Smith International	3,892,753
Commonwealth Edison	3,759,575
Union Pacific	3,754,437
Great Northern Nekoosa	3,456,238
Gannett	3,245,052
Bristol-Myers	3,006,150
McDermott (J. Ray)	2,889,685

### Major Sales

Standard Oil of California	\$4,348,786
Standard Oil (Indiana)	4,206,734
Mesa Petroleum	4,071,616
Standard Oil of Ohio	3,929,618
International Paper	3,575,155
Union Camp	3,400,016
RCA	3,392,036
Getty Oil	3,183,916

**TRANSACTIONS  
ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND**

JULY 1, 1978 TO JUNE 30, 1979

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Bonds</b>						
<b>Purchases</b>						
\$ 4,000,000	American Tel. & Tel.	8.625%	02/01/07	98.750	\$ 3,950,000.00	
1,500,000	Baltimore Gas & Electric	9.375	07/01/08	98.404	1,476,060.00	
1,500,000	Bell Tel. of Pa.	8.750	07/15/15	92.792	1,391,875.00	
700,000	Ches. & Potomac Tel., Va.	9.250	12/15/15	100.504	703,528.00	
15,000,000	Citicorp Floating Rate	11.050	09/01/98	100.350	15,052,500.00	
15,000,000	Citicorp Floating Rate	11.100	05/01/04	100.261	15,039,218.75	
4,000,000	duPont de Nemours	8.450	11/15/04	98.125	3,925,000.00	
15,000,000	Federal Home Loan Mtg. Corp.	9.250	08/01/08	98.313	14,746,875.00	
5,000,000	First Bank System Floating Rate	11.100	05/15/89	100.000	5,000,000.00	
7,500,000	General Motors Acceptance	8.250	11/15/06	91.818	6,886,360.00	
8,000,000	Government of Canada	9.250	10/15/98	100.000	8,000,000.00	
4,997,024	Government National Mtg. Assn.	9.000	10/15/08	97.875	4,890,837.24	
5,000,000	Houston Light & Power	9.250	12/01/08	98.425	4,921,250.00	
1,500,000	Michigan Bell Tel.	8.125	06/01/15	89.213	1,338,195.00	
10,000,000	Mountain States Tel.	9.250	12/15/14	98.919	9,891,875.00	
5,500,000	New York Tel.	8.250	10/15/15	91.010	5,005,570.00	
1,000,000	New York Tel.	8.625	06/15/16	97.426	974,260.00	
1,000,000	New York Tel.	8.300	08/15/12	91.938	919,375.00	
1,100,000	Northwestern Bell Tel.	8.125	03/15/17	89.620	985,820.00	
6,600,000	Pacific Tel. & Tel.	9.625	07/15/18	100.604	6,639,874.00	
750,000	Southwestern Electric Power	9.625	08/01/05	100.000	750,000.00	
5,650,000	South Central Bell Tel.	8.250	03/01/17	90.931	5,137,597.50	
3,000,000	South Central Bell Tel.	8.250	08/01/13	92.333	2,769,980.00	
4,000,000	South Central Bell Tel.	8.250	11/01/15	88.160	3,526,400.00	
500,000	South Central Bell Tel.	9.200	04/01/10	102.068	510,340.00	
1,000,000	South Central Bell Tel.	9.625	03/01/19	99.625	996,250.00	
3,800,000	Southern Bell Tel.	8.125	05/01/17	87.275	3,316,461.00	
3,750,000	Southern Bell Tel.	8.250	04/15/16	90.113	3,379,230.00	
8,000,000	Southern California Edison	8.625	11/01/03	99.725	7,977,990.00	
6,000,000	Southwestern Bell Tel.	8.500	03/15/16	92.323	5,539,380.00	
8,500,000	Southwestern Bell Tel.	8.250	04/01/17	89.433	7,601,800.00	
2,500,000	Texas Electric Service	9.250	02/01/09	99.300	2,482,500.00	
5,000,000	Texas Power & Light	9.375	02/01/09	98.313	4,915,625.00	
37,750,000	U.S. Treasury Bonds	8.375	08/15/08	97.761	36,904,609.38	
21,000,000	U.S. Treasury Bonds	8.625	11/15/93	99.924	20,983,970.00	
71,000,000	U.S. Treasury Bonds	8.750	11/15/08	98.536	69,960,895.54	
5,000,000	U.S. Treasury Bonds	9.000	02/15/94	98.125	4,906,250.00	
7,500,000	U.S. Treasury Bonds	9.125	05/15/99	98.671	7,400,339.00	
11,000,000	U.S. Treasury Notes	8.750	11/15/88	99.345	10,928,000.00	
3,850,000	U.S. Treasury Notes	9.250	05/15/89	99.185	3,818,608.00	
<b>\$323,447,024</b>					<b>\$315,544,698.41</b>	
<b>Sales</b>						
\$ 5,500,000	American Tel. & Tel.	8.625	02/01/07	98.136	\$ 5,397,500.00	\$(66,041.66)
1,500,000	Bell Tel. of Pa.	8.750	07/15/15	93.902	1,408,530.00	16,655.00
2,500,000	Caterpillar Tractor	8.750	11/01/99	102.250	2,556,250.00	42,500.00

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Bonds</b>						
Sales (continued)						
\$ 500,000	Ches. & Potomac Tel.	9.250%	12/15/15	102.900	\$ 514,500.00	\$ (28,625.00)
4,000,000	duPont de Nemours	8.450	10/01/07	99.375	3,975,000.00	(49,000.00)
6,000,000	Federal Home Loan Banks	7.850	08/27/84	97.547	5,852,812.50	(232,500.00)
235,610	Federal Home Loan Mtg. Corp.	8.250	10/01/07	100.000	235,609.80	3,534.15
1,184,786	Federal Home Loan Mtg. Corp.	8.500	2007-8	100.000	1,184,785.80	38,705.79
1,171,335	Federal Home Loan Mtg. Corp.	8.750	2008	100.000	1,171,335.50	59,298.89
772,869	Federal Home Loan Mtg. Corp.	9.000	06/01/08	100.000	772,869.00	19,804.76
561,328	Federal Home Loan Mtg. Corp.	9.250	08/01/08	100.000	561,328.50	9,472.43
8,500,000	General Motors Acceptance	7.250	04/15/80	95.932	8,154,220.00	(402,135.00)
2,500,000	Government of Canada	9.250	10/15/98	99.800	2,495,000.00	(5,000.00)
3,127,143	Government National Mtg. Assn.	7.500	2005-7	100.000	3,127,142.58	161,996.69
2,185,152	Government National Mtg. Assn.	8.000	2000, 6-8	100.000	2,185,151.52	14,983.94
22,685	Government National Mtg. Assn.	9.000	10/15/08	100.000	22,685.50	482.06
2,500,000	Household Finance	8.375	10/01/03	93.353	2,333,825.00	(146,175.00)
500,000	Household Finance	8.500	05/15/83	99.412	497,060.00	2,060.00
2,050,000	International Bank for R. & D.	8.000	01/01/80	97.500	1,998,750.00	(89,812.00)
7,500,000	Minnesota Mining & Mfg.	8.850	04/01/05	102.100	7,657,500.00	103,660.00
3,000,000	National Rural Utilities	10.500	11/01/81	100.583	3,017,500.00	(282,500.00)
5,500,000	New York Tel.	8.250	10/15/15	89.571	4,926,377.50	(79,192.50)
3,048,000	Niagara Mohawk Power	12.600	10/01/81	105.145	3,204,819.60	(197,815.20)
1,000,000	Northwest Bell Tel.	8.625	06/15/12	97.887	978,870.00	12,221.00
2,500,000	South Central Bell Tel.	8.250	08/01/13	88.729	2,218,225.00	(90,091.67)
4,000,000	South Central Bell Tel.	8.250	11/01/15	89.250	3,570,000.00	43,600.00
1,000,000	South Central Bell Tel.	9.625	03/01/19	100.790	1,007,900.00	11,650.00
3,800,000	Southern Bell Tel.	8.125	05/01/17	88.802	3,374,476.00	58,015.00
1,000,000	Southwestern Bell Tel.	8.250	04/01/17	90.000	900,000.00	(16,424.07)
3,250,000	Southwestern Electric Power	9.625	08/01/05	99.750	3,241,875.00	15,000.00
3,500,000	Texas Power & Light	9.375	02/01/09	98.205	3,437,175.00	(3,762.50)
37,750,000	U.S. Treasury Bonds	8.375	08/15/08	95.650	36,107,812.50	(796,796.88)
6,500,000	U.S. Treasury Bonds	8.500	05/15/99	101.188	6,577,187.50	28,305.67
26,000,000	U.S. Treasury Bonds	8.750	11/15/08	98.802	25,688,593.75	66,254.41
5,000,000	U.S. Treasury Bonds	9.000	02/15/94	99.188	4,959,375.00	53,125.00
7,500,000	U.S. Treasury Bonds	9.125	05/15/09	99.516	7,463,671.88	63,332.88
5,250,000	U.S. Treasury Notes	6.625	08/31/79	98.016	5,145,820.31	(100,078.13)
5,000,000	U.S. Treasury Notes	6.875	03/31/81	95.984	4,799,218.75	(199,181.25)
13,750,000	U.S. Treasury Notes	7.125	12/31/79	97.068	13,346,875.00	(306,445.32)
17,700,000	U.S. Treasury Notes	7.125	11/15/82	95.353	16,877,500.00	(388,656.25)
6,000,000	U.S. Treasury Notes	7.250	12/31/81	96.406	5,784,375.00	(94,687.50)
8,000,000	U.S. Treasury Notes	7.375	05/15/81	97.406	7,792,500.00	(167,500.25)
10,000,000	U.S. Treasury Notes	7.500	01/31/80	97.406	9,740,625.00	(214,062.52)
11,000,000	U.S. Treasury Notes	8.750	11/15/88	99.480	10,942,812.50	14,812.50
3,850,000	U.S. Treasury Notes	9.250	05/15/89	100.234	3,859,023.44	40,415.44
4,250,000	Warner Lambert	8.875	04/01/00	102.119	4,340,057.50	111,307.50
<b>\$251,958,908</b>					<b>\$245,404,521.93</b>	<b>\$(2,965,289.59)</b>

**TRANSACTIONS-**  
**ILLINOIS STATE**  
**BOARD OF**  
**INVESTMENT**  
**COMMINGLED**  
**FUND**  
**(continued)**

JULY 1, 1978 TO JUNE 30, 1979

Shares		Unit C/P	Total C/P	Realized Gain (Loss)
<b>Common Stock</b>				
Purchases				
20,000	Abbott Laboratories	32.322	\$ 646,450.00	
20,000	American Tel. & Tel.	62.318	1,246,375.00	
20,000	Atlantic Richfield	59.254	1,185,087.50	
50,000	Baltimore Gas & Electric	24.557	1,227,875.00	
90,000	Bristol-Myers	34.068	3,066,150.00	
10,000	Burroughs	65.773	657,737.50	
140,000	Commonwealth Edison	26.854	3,759,575.00	
10,000	Connecticut General Insurance	35.700	357,000.00	
20,000	Dresser Industries	41.023	820,462.50	
50,000	Emhart	35.092	1,754,593.50	
100,000	Federal Paper Board	24.884	2,488,462.50	
77,000	Gannett	42.143	3,245,052.50	
35,000	Georgia-Pacific	24.930	872,575.00	
100,000	Great Northern Nekoosa	34.562	3,456,238.00	
80,000	Gulf Oil	25.006	2,000,525.00	
3,000	International Business Machines	275.629	826,887.50	
30,000	Knight-Ridder Newspapers	46.192	1,385,787.50	
128,700	McDermott (J. Ray)	22.452	2,889,685.00	
95,000	McGraw-Hill	25.111	2,385,600.00	
13,300	Melville	29.865	397,204.50	
44,500	Mesa Petroleum	30.626	1,362,887.50	
20,000	Mobil	72.460	1,449,212.50	
29,100	New York Times Class A	27.281	793,897.50	
38,000	Philip Morris	69.728	2,649,683.00	
90,000	Phillips Petroleum	31.792	2,861,287.50	
103,300	Public Service Electric & Gas	22.640	2,338,772.00	
50,000	Reynolds (R.J.) Industries	57.118	2,855,925.00	
86,500	Rite Aid	21.200	1,833,827.50	
85,000	Smith International	45.797	3,892,753.00	
10,000	Standard Oil of California	38.970	389,700.00	
95,000	Standard Oil (Indiana)	51.208	4,864,775.00	
40,000	Standard Oil of Ohio	34.056	1,362,262.50	
150,000	Sundstrand	23.897	3,584,544.00	
80,000	Texaco	25.333	2,026,675.00	
21,800	TRW	35.752	779,405.00	
20,000	U.S. Fidelity & Guaranty	32.514	650,287.50	
70,000	Union Pacific	53.634	3,754,437.50	
150,000	United Telecommunications	18.917	2,837,662.50	
20,000	Weyerhaeuser	26.468	529,362.50	
<b>2,295,200</b>			<b>\$75,486,680.50</b>	
Sales				
20,000	Abbott Laboratories	34.888	\$ 697,759.13	\$ 47,296.63
109,500	Air Products & Chemicals	28.100	3,077,001.92	(13,363.37)
65,000	American Hospital Supply	24.803	1,612,220.98	(563,408.58)
58,500	Atlantic Richfield	53.604	3,135,863.80	503,363.80

<b>Shares</b>		<b>Unit C/P</b>	<b>Total C/P</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Sales (continued)				
100,000	BankAmerica	25.156	\$ 2,515,675.73	\$ 205,098.36
40,000	Bendix	40.492	1,619,695.82	3,254.62
80,000	Big Three Industries	36.863	2,949,088.76	980,487.10
80,000	Central & South West	16.424	1,313,918.49	(196,750.29)
50,000	Champion International	25.542	1,277,107.28	82,017.28
54,700	Citicorp	24.289	1,328,647.99	(607,807.85)
45,000	Corning Glass Works	57.973	2,608,817.73	(902,372.79)
50,000	Cummins Engine	34.411	1,720,592.50	(531,432.50)
10,000	Dayton-Hudson	37.948	379,487.29	9,337.29
125,000	Diamond Shamrock	21.775	2,721,956.84	(1,361,107.16)
36,590	Disney (Walt) Productions	39.131	1,431,808.73	(553,139.29)
75,000	Dow Chemical	26.982	2,023,699.66	(602,935.05)
34,916	Exxon	52.638	1,837,924.47	375,417.45
25,000	Federated Department Stores	34.904	872,620.83	(246,647.53)
57,082	Georgia-Pacific	30.183	1,722,923.18	223,689.58
70,000	Getty Oil	45.484	3,183,916.02	93,273.11
30,000	Great Northern Nekoosa	35.395	1,061,864.48	24,993.08
80,000	Gulf Oil	26.394	2,111,579.33	111,054.33
40,000	Ingersoll-Rand	48.327	1,933,105.32	(926,429.68)
80,000	International Paper	44.689	3,575,155.35	(886,874.58)
36,000	Johnson & Johnson	83.217	2,995,813.53	(384,110.36)
115,006	K-mart	25.464	2,928,557.76	(885,232.19)
60,000	Kerr-McGee	51.794	3,107,641.02	(603,067.60)
148,700	McDermott (J. Ray)	20.679	3,074,986.01	(349,227.99)
12,800	Melville	31.628	404,850.45	89,016.52
50,000	Merck & Co.	67.117	3,355,865.32	374,327.12
94,500	Mesa Petroleum	43.085	4,071,616.39	902,291.39
40,000	Monsanto	48.114	1,924,580.09	(895,007.77)
75,000	Ohio Casualty	27.383	2,053,750.00	383,437.50
85,000	Phillips Petroleum	35.536	3,020,561.45	318,889.57
20,000	Procter & Gamble	89.437	1,788,752.68	36,053.01
120,000	RCA	28.267	3,392,036.63	(136,100.87)
45,000	Smith International	55.712	2,507,066.16	446,196.93
52,500	Southwestern Life	22.285	1,170,000.00	135,621.73
90,900	Standard Oil of California	47.841	4,348,768.59	854,444.90
70,000	Standard Oil (Indiana)	60.096	4,206,734.39	747,149.97
80,000	Standard Oil of Ohio	49.120	3,929,618.60	1,330,781.10
35,000	Texaco	25.818	903,654.75	16,984.44
49,400	TRW	39.619	1,957,190.97	215,755.21
75,000	Union Camp	45.333	3,400,016.41	(913,912.51)
20,000	Union Pacific	68.820	1,376,404.00	303,707.57
45,000	U.S. Steel	28.277	1,272,479.87	(842,808.73)
40,000	Weyerhaeuser	31.222	1,248,899.32	197,099.32
20,000	Winn-Dixie Stores	43.861	877,220.66	(2,572.73)
45,000	Xerox	60.446	2,720,109.07	(669,218.30)
<b>2,941,094</b>			<b>\$108,749,605.75</b>	<b>\$4,062,488.81</b>

**TRANSACTIONS  
ILLINOIS STATE  
BOARD OF  
INVESTMENT  
COMMINGLED  
FUND**  
**(continued)**

JULY 1, 1978 TO JUNE 30, 1979

Shares		Unit C/P	Total C/P	Realized Gain (Loss)
<b>Common Stock</b>				
90,000	Capitalization			
	Getty Oil			
	4 for 1 stock split			
135,000	International Business Machines			
	4 for 1 stock split			
40,000	Knight-Ridder Newspapers			
	2 for 1 stock split			
20,000	Mobil Oil			
	2 for 1 stock split			
60,000	Philip Morris			
	2 for 1 stock split			
20,000	Standard Oil of Ohio			
	2 for 1 stock split			
14,000	Winn-Dixie Stores			
	4 for 3 stock split			
<u>379,000</u>				
<b>Preferred Stock</b>				
	Purchases			
60,300	McDermott (J. Ray)-cv \$2.20	31.926	\$ 1,925,182.00	
26,400	TRW-cv \$4.50	75.377	<u>1,989,960.00</u>	
<u>86,700</u>			<u>\$ 3,915,142.00</u>	
	Sales			
60,300	McDermott (J. Ray)-cv \$2.20	27.114	\$ 1,634,971.26	\$(290,210.74)
10,900	TRW-cv \$4.50	70.127	<u>764,389.43</u>	<u>(57,222.84)</u>
<u>71,200</u>			<u>\$ 2,399,360.69</u>	<u>\$(347,433.58)</u>
<b>Par Value</b>				
<b>Convertible Debentures</b>				
	Purchases			
\$ 2,400,000	Baxter Travenol Labs 4.750% due 1/1/01	108.093	\$ 2,594,250.00	
425,000	Melville 4.875% due 6/1/96	100.750	<u>428,187.50</u>	
<u>\$ 2,825,000</u>			<u>\$ 3,022,437.50</u>	
	Sales			
\$ 2,400,000	Baxter Travenol Labs 4.750% due 1/1/01	101.947	\$ 2,446,750.00	\$(147,500.00)
2,100,000	Baxter Travenol Labs 4.375% due 11/1/91	120.595	2,532,500.00	133,727.50
3,355,000	Caterpillar Tractor 5.500% due 6/30/00	125.000	4,193,750.00	199,528.50
425,000	Melville 4.875% due 6/1/96	95.000	403,750.00	(24,437.50)
3,413,000	Sperry Rand 6.000% due 12/15/00	122.512	<u>4,181,360.00</u>	<u>308,861.20</u>
<u>\$11,693,000</u>			<u>\$ 13,758,110.00</u>	<u>\$ 470,179.70</u>
<b>Cash Equivalents</b>				
<u>\$1,070,737,000</u>	Purchases		<u>\$1,069,885,188.16</u>	
<u>\$ 999,795,000</u>	Sales		<u>\$ 998,945,788.16</u>	

**INVESTMENT  
TRANSACTIONS  
WITH BROKERS  
AND DEALERS**

YEAR ENDED JUNE 30, 1979

**Commissions Paid**

**Equity Securities**

**Stock Exchange Transactions**

Bear, Stearns & Co.	\$ 2,025.00
Becker, (A. G.) Inc.	3,795.00
Blair (William) & Co.	2,200.00
Blyth Eastman Dillon & Co. Incorporated	50,072.53
Bruan, Gordon & Co.	11,892.08
Drexel Burnham Lambert Incorporated	53,928.00
Donaldson, Lufkin & Jenrette Sec. Corp.	37,667.85
First (The) Boston Corp.	17,131.00
Goldman, Sachs & Co.	83,804.50
Hutton (E. F.) & Company Incorporated	12,000.00
Jefferies & Co., Inc.	2,825.00
Kidder, Peabody & Co. Incorporated	21,975.00
Lawrence, Cyrus J.	8,200.00
Merrill Lynch White Weld Capital Markets Group	60,884.16
Morgan Stanley & Co. Incorporated	15,811.00
Neuberger & Berman	3,300.00
O'Neil (William) & Co., Inc.	39,538.00
Oppenheimer & Co., Inc.	20,525.00
Paine Webber Mitchell Hutchins, Inc.	3,550.00
Rotan Mosle Inc.	10,126.00
Rothschild (L. F.), Unterberg, Towbin	1,700.00
Salomon Brothers	10,732.50
Shearson Hayden Stone Inc.	10,550.00
Smith Barney, Harris Upham & Co. Incorporated	7,400.00
Tucker, Anthony & R. L. Day, Inc.	28,183.00
Wertheim & Co., Inc.	5,553.00
Zunser (A. J. B.) & Co.	11,000.00
	<u>\$536,368.62</u>

**INVESTMENT  
TRANSACTIONS  
WITH BROKERS  
AND DEALERS  
(continued)**

YEAR ENDED JUNE 30, 1979

	Par Value or Number of Shares	Transaction Value
<b>Transactions Executed on a Net Basis*</b>		
<b>Equity Securities</b>		
<b>Third Market and/or Over-the-Counter Transactions</b>		
Drexel Burnham Lambert Incorporated	10,000	\$ 357,000
First (The) Boston Corp.	19,800	1,051,875
First (The) Boston Corp.	\$3,355,000	4,193,750
Goldman, Sachs & Co.	\$9,238,000	10,383,860
Goldman, Sachs & Co.	5,000	145,000
Merrill Lynch White Weld Capital Markets Group	122,500	3,078,750
Morgan Stanley & Co. Incorporated	\$ 425,000	428,188
Salomon Brothers	\$1,500,000	1,774,750
<b>Fixed Income Securities</b>		
<b>Syndicate Transactions</b>		
Ames (A. E.) & Co., Inc.	\$ 500,000	\$ 500,000
Bache Halsey Stuart Shields Incorporated	1,350,000	1,347,653
Bear, Stearns & Co.	2,000,000	2,002,805
Dean Witter Reynolds, Inc.	1,200,000	1,200,000
Dillon, Read & Co. Inc.	200,000	200,000
Drexel Burnham Lambert Incorporated	3,250,000	3,247,548
First (The) Boston Corp.	7,600,000	7,598,610
Goldman, Sachs & Co.	2,250,000	2,250,000
Hutton (E. F.) & Company Incorporated	750,000	751,403
Kidder, Peabody & Co. Incorporated	100,000	100,000
Lehman Brothers Kuhn Loeb Incorporated	500,000	500,000
Loeb Rhoades, Hornblower & Co.	1,000,000	1,000,000
Merrill Lynch, Pierce, Fenner & Smith, Inc.	4,000,000	4,005,610
Morgan Stanley & Co. Incorporated	3,150,000	3,150,000
Paine, Webber, Jackson & Curtis, Inc.	2,600,000	2,602,805
Rothschild (L. F.), Unterberg, Towbin	1,500,000	1,500,000
Salomon Brothers	5,750,000	5,743,358
Smith Barney, Harris Upham & Co. Incorporated	1,000,000	1,000,000
Wertheim & Co., Inc.	3,300,000	3,300,000

\*Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the Brokers and Dealers.

**Transactions Executed on a Net Basis\* (continued)**

	<b>Par Value or Number of Shares</b>	<b>Transaction Value</b>
<b>Fixed Income Securities</b>		
<b>Secondary Market Transactions</b>		
Government Obligations		
Bankers Trust	\$ 2,500,000	\$ 2,453,125
Cantor, Fitzgerald Securities Corp.	8,500,000	8,256,250
Continental Illinois Nat'l Bank & Tr. Co.	18,050,000	17,905,586
First (The) Boston Corp.	28,200,000	27,402,813
First (The) Nat'l Bank of Chicago	21,250,000	20,776,172
Goldman, Sachs & Co.	15,000,000	14,842,969
Harris Trust & Savings Bank	68,150,000	67,437,667
Hutton (E. F.) & Company Incorporated	5,000,000	4,978,125
Loeb Rhoades, Hornblower & Co.	4,997,024	4,890,837
Merrill Lynch, Pierce, Fenner & Smith, Inc.	89,250,000	86,992,852
Morgan Stanley & Co. Incorporated	35,000,000	34,198,521
Salomon Brothers	52,550,000	51,342,422
Corporate Obligations		
Bache Hasley Stuart Shields Incorporated	2,000,000	1,906,960
Bear, Stearns & Co.	2,250,000	2,229,375
Becker, (A. G.) Inc.	4,000,000	4,000,000
Dean Witter Reynolds, Inc.	8,750,000	8,319,879
Dillon, Read & Co. Inc.	8,500,000	8,441,250
Drexel Burnham Lambert Incorporated	8,750,000	8,395,551
First (The) Boston Corp.	20,650,000	19,921,857
Goldman, Sachs & Co.	10,500,000	9,915,635
Kidder, Peabody & Co. Incorporated	1,000,000	919,370
Lehman Brothers Kuhn Loeb Incorporated	11,500,000	11,554,744
Merrill Lynch, Pierce, Fenner & Smith, Inc.	23,500,000	21,691,855
Morgan Stanley & Co. Incorporated	13,000,000	12,373,135
Paine, Webber, Jackson & Curtis, Inc.	7,400,000	6,743,810
Salomon Brothers	51,398,000	49,465,808
Smith Barney, Harris Upham & Co. Incorporated	500,000	493,125
Thomson McKinnon Securities Inc.	2,000,000	1,838,730

\* Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the Brokers and Dealers.

# BOARD MEMBERS

## CHAIRMAN

**Judge Robert J. Downing**  
 Chairman, Board of Trustees  
 Judges Retirement System of Illinois

## VICE CHAIRMAN

**A.D. VanMeter, Jr.**  
 Appointed Member

## RECORDING SECRETARY

**Donald A. Belgrad**  
 Appointed Member

**Marshall L. Burman**  
 Appointed Member

**Joseph Butler**  
 Appointed Member

**Jerry Cosentino**  
 Treasurer, State of Illinois

**Senator Robert J. Egan**  
 Chairman, Illinois Public Employees  
 Pension Laws Commission

**John E. Gilchrist**  
 Chairman, Board of Trustees  
 State Employees' Retirement System  
 of Illinois

**Speaker William A. Redmond**  
 Chairman, Board of Trustees  
 General Assembly Retirement  
 System

## ACCOUNTING AND AUDIT COMMITTEE

**Joseph Butler, Chairman**  
**Treasurer Jerry Cosentino**  
**Judge Robert J. Downing**

## EXECUTIVE COMMITTEE

**Donald A. Belgrad**  
**Judge Robert J. Downing,**  
**Chairman**  
**Senator Robert J. Egan**  
**A.D. VanMeter, Jr.**

## INVESTMENT POLICY COMMITTEE

**Donald A. Belgrad**  
**Treasurer Jerry Cosentino**  
**Judge Robert J. Downing**  
**Senator Robert J. Egan**  
**A.D. VanMeter, Jr., Chairman**



Left to right — John E. Gilchrist; Donald A. Belgrad, Recording Secretary;  
 Judge Robert J. Downing, Chairman; Donald R. Smith; and Marshall L. Burman.

## STAFF

### Administrative

**Robert J. Harmon**, Director  
**Katherine A. Lindsay**,  
 Executive Secretary  
**Retta M. Evans**, Secretary

### Investment

**Larry G. Darlington**,  
 Investment Officer  
**Donald L. Wampach**,  
 Investment Officer  
**Nancy L. Folstad**,  
 Investment Analyst  
**Earl C. Jones, Jr.**,  
 Investment Analyst  
**Douglas F. Muller**,  
 Investment Analyst

### Financial

**John Gullo**, Accountant  
**John A. Mella**, Accountant

## CUSTODIAN

**American National Bank and  
 Trust Company**  
 Chicago, Illinois

## LEGAL COUNSEL

**Robert A. Tingler**  
**Alexander P. White**

## CONSULTING ACTUARY

**A.A. Weinberg**



Seated left to right —  
 Retta M. Evans;  
 Robert J. Harmon, Director; and  
 Donald L. Wampach.  
 Standing left to right —  
 Earl C. Jones, Jr.;  
 Katherine A. Lindsay; and  
 Nancy L. Folstad.



**Illinois State Board of Investment**  
180 North LaSalle Street, Suite 905  
Chicago, Illinois 60601

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ILLINOIS STATE BOARD OF INVESTMENT  
ANNUAL REPORT



JAN 23 1981  
ILLINOIS STATE BOARD OF INVESTMENT

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ILLINOIS STATE BOARD of INVESTMENT  
C O N T E N T S

- 1** Financial Highlights—Fiscal Years 1980 and 1979
- 2** Letter to Trustees
- 4** Financial Summary—Five Year History
  - Financial Statements
    - 5-6** Illinois State Board of Investment Commingled Fund
    - 7-8** Notes to Financial Statements
    - 9** Accountants' Report
  - Supplemental Financial Information
    - 11-18** Portfolio
    - 19-20** Portfolio Data
    - 21-26** Transactions
    - 27-28** Brokers and Dealers Used
    - 29** Board Members

Compliance Audit Report — See separate documents on file with  
the Auditor General of the State of Illinois.

**Illinois State Board of Investment  
Financial Highlights**

**Fiscal Years Ended June 30 (At Market Value in \$ Millions)**

	<b>1980</b>	<b>1979</b>	<b>Change</b>
Illinois State Board of Investment Commingled Fund	\$947.0	\$841.7	\$105.3
Net Investment Income	84.7	61.4	23.3
Net Realized and Unrealized Gain (Loss) on Investments	(40.0)	12.3	(52.3)
Amount Received for Investment	60.6	53.9	6.7
Total Return*	5.0%	9.5%	(4.5)%
Average Net Income Yield*	9.9	7.9	2.0
Ratio of Equities to Total Portfolio (at cost)	17.0%	15.3%	1.7%
Retirement System Participation			
General Assembly	\$ 12.3	\$ 11.1	\$ 1.2
Judges	54.7	48.0	6.7
State Employees'	880.0	782.6	97.4
Management Expenses (000)	426.1	427.0	(0.9)
Percent – Average Net Assets	.04%	.05%	(.01)%

\*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

DEPOSITORY  
JAN 21 1981  
UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN

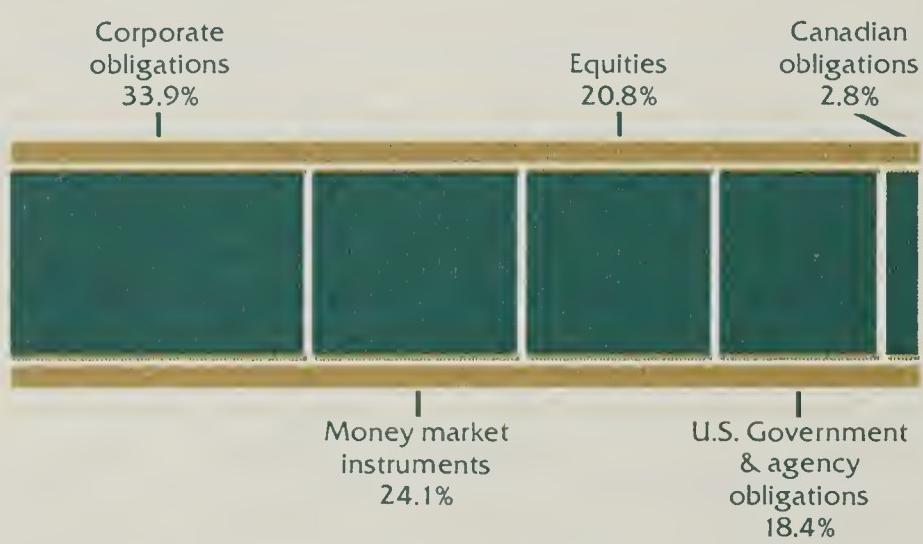
**Trustees:** **The General Assembly Retirement System**  
**The Judges Retirement System of Illinois**  
**The State Employees' Retirement System of Illinois**

The Illinois State Board of Investment is pleased to submit its Annual Report for the fiscal year ended June 30, 1980.

### **Financial Highlights**

At fiscal year end the market value of the Illinois State Board of Investment Commingled Fund was \$947 million. The asset mix of the portfolio was 55.1% in fixed income securities, 20.8% in equities and 24.1% in money market instruments. The net income earned on the underlying assets in fiscal year 1980 was \$84.7 million, producing an average net income yield of 9.9%, the highest rate of return earned since its inception.

The diversification of the Commingled Fund among the major security classifications is summarized as follows:



### **Investment Policy and Strategy**

The investment environment throughout fiscal year 1980 was battered by discouraging economic, political and financial developments; both here and abroad. This economic turmoil created uncertain and often unfavorable markets.

Interest rates appeared to be peaking in the early part of the fiscal year providing historically attractive rates. The Board committed a substantial portion of the Commingled Fund's reserves to capture these yields only to see subsequent economic factors cause interest rates to seek higher levels

with a corresponding erosion of the market values of the fixed income holdings. This resulted in a dramatic decline in the time-weighted rate of return produced by the Commingled Fund's fixed income investments. The composition of the fixed income portion of the portfolio experienced slight change from fiscal year end 1979. The average bond maturity dropped from 22 years at June 30, 1979, to 21 years. The average coupon increased 0.6% to reach 9.6% within the same one year time frame.

Uncertainty as to the impact of the recessionary climate on the market, coupled with the desire to control the risk factor of the portfolio, caused the Board to continue with a defensive equity strategy. Commitments to the equity market for most of the fiscal year remained about 10% below the Board's established maximum of 30%. Shifts were made in sector positions with major emphasis in oil, gas and related energy businesses; all of which were riding the crest of the energy crisis.

As a result of the enactment of enabling legislation, the Board during this fiscal year instituted a covered call writing option program. The program, which consists of writing option calls on the underlying equity portfolio within Board established parameters, is designed to provide an incremental return to the Commingled Fund, coupled with a reduction in the volatility of the equity portfolio. The Board decided to engage an independent advisor to implement this program and, after an extensive review of potential consultants, selected Capital Consultants, Inc. The program, which commenced in mid-February, has not attained sufficient maturity to be evaluated properly at this time.

### **Results**

As previously stated, the net income yield on the average market value of the total assets was 9.9% for fiscal year 1980. This rate was 2%

higher than the previous fiscal period. The total return for the year (the combined effect of income received added to the change in price or net asset value during the year) was 5.0%; a 4.5% decrease from fiscal 1979. The primary factor in the decline of total return was the impact of the dramatically reduced return from the fixed income portion of the portfolio which plummeted from 7.96% in fiscal year 1979, to 0.31%. The equity side of the portfolio had a total return of 17.1% which compared favorably with its 17.7% return for fiscal 1979.

### **Management Expenses**

The total management expenses for this fiscal year were \$426,148 versus \$426,644 for the previous period. Current expenses reflected the fact that salary expense was significantly lower due to staff changes during the year. Expenses were .04% of the net average assets under management during this fiscal year and in line with the Board's goal to achieve economy of operation relative to the amount of funds managed.

<b>Management Expenses</b>		
	Total Expense	Percent of Net Average Assets
1980	\$426,148	.04%
1979	426,644	.05
1978	386,999	.06
1977	443,784	.07

### **Additional Comments**

**Board Membership**—The composition of the Board remained unchanged during the fiscal year. At the annual meeting of the Board held September 28, 1979, Judge Robert J. Downing, Chairman of the Judges Retirement System of Illinois, was reelected Chairman of the Board. A. D. VanMeter, Jr. and John E. Gilchrist were

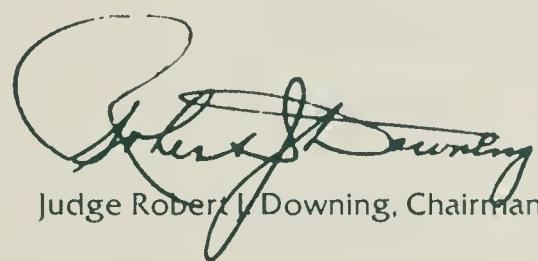
elected Vice Chairman and Recording Secretary, respectively. These officers will serve until the next election in September 1981.

**State Employees Deferred Compensation Plan**—State employee interest in the Deferred Compensation Program remained strong evidenced by an enrollment of approximately 2,800 participants by June 30, 1980. The Plan generated sufficient funds to enable a repayment to the State general revenue fund of \$23,592 of the \$37,304 advance received by the Board for initial costs in implementing the program.

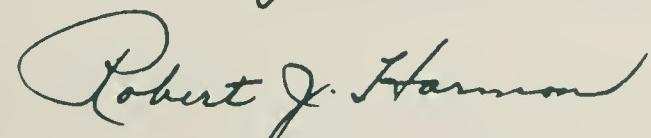
**Investment Transactions with Brokers/Dealers**—Commissions resulting from equity and option transactions in fiscal year 1980 were paid in the amount of \$521,174, compared to \$536,368 in the prior period. In addition, there were transactions with brokers/dealers on fixed income securities in which commissions were not separately stated but were reflected in the net sales price quoted. Details are set forth in the Supplemental Financial Information section of this report.

Financial statements of the Commingled Fund and details of the Board's operation are presented in the following sections of this report.

Respectfully submitted, August 25, 1980



Judge Robert J. Downing



Robert J. Harmon, Director

	(\$ in thousands)				
	<b>1980</b>	<b>1979</b>	<b>1978</b>	<b>1977</b>	<b>1976</b>
<b>Total Net Assets</b> (at market value)	\$947,006	\$841,746	\$714,137	\$667,088	\$588,014
<b>Change in Net Assets</b>					
Amount Received for Investment	60,600	53,900	38,480	32,175	39,390
Net Realized and Unrealized Gain (Loss) on Investments	(40,023)	12,321	(38,333)	5,970	17,187
Net Investment Income	84,683	61,387	46,902	40,929	34,505
<b>Returns</b>					
Annual Total Return*	5.0%	9.5%	1.3%	7.5%	9.5%
Average Net Income Yield*	9.9	7.9	6.8	6.5	6.4
Compound Growth-Since Inception	6.0	6.2	5.6	6.4	6.2

\*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

**Illinois State Board of Investment Commingled Fund  
Statement of Net Assets**

**June 30, 1980**

**Investments, at market value:**

U.S. Government and agency obligations	\$ 174,624,686	18.44%
Canadian obligations	26,411,220	2.79
Corporate obligations	320,738,746	33.87
Common stock	192,292,875	20.30
Convertible preferred stock	1,100,500	.12
Convertible debentures	3,232,425	.34
Money market instruments	218,642,406	23.09
	<hr/>	<hr/>
Other assets, less liabilities	\$937,042,858	98.95%
	<hr/>	<hr/>
<b>Net assets, at market value</b>	<b>\$947,005,685</b>	<b>100.00%</b>
	<hr/>	<hr/>
Net assets, at cost	\$ 1,040,304,469	
Units outstanding	10,734,879	
Unit value	\$88.22	

**Illinois State Board of Investment Commingled Fund  
Statement of Changes in Net Assets**

**Fiscal Years Ended June 30**

	<b>1980</b>	<b>1979</b>
<b>Net assets, at beginning of year</b>	\$841,745,931	\$714,137,289
Amount received for investment	60,600,000	53,900,000
Net investment income	84,683,143	61,387,311
Net realized loss from sale of investments	(2,648,761)	(6,905,032)
Net change in unrealized appreciation (depreciation) of investments	(37,374,628)	19,226,363
	<hr/>	<hr/>
<b>Net assets, at end of year</b>	<b>\$947,005,685</b>	<b>\$841,745,931</b>

See notes to financial statements, pages 7-8.

**Illinois State Board of Investment Commingled Fund  
Statement of Operations**

**Fiscal Years Ended June 30**

	<b>1980</b>	<b>1979</b>
<b>Investment Income</b>		
Interest	\$ 76,940,000	\$ 53,328,935
Dividends	8,169,291	8,485,020
Total Investment Income	<u>\$ 85,109,291</u>	<u>\$ 61,813,955</u>
<b>Expenses</b>		
Salaries and benefits –		
Investment staff	\$ 176,847	\$ 170,613
Administrative staff	129,752	140,319
Operating expenses –		
Rent and utilities	24,075	21,431
Printing	8,915	10,925
Other	41,063	44,819
External support –		
Investment advisor	15,417	12,500
Custody	28,009	23,007
Actuary	2,070	3,030
Total Expenses	<u>\$ 426,148</u>	<u>\$ 426,644</u>
<b>Net Investment Income</b>	<u><u>\$ 84,683,143</u></u>	<u><u>\$ 61,387,311</u></u>
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Realized loss from investment transactions (excluding money market instruments):		
Proceeds from sales	\$ 403,995,845	\$ 370,240,943
Cost of investments sold	406,644,606	377,145,975
Net realized loss	<u>(2,648,761)</u>	<u>(6,905,032)</u>
Unrealized appreciation (depreciation) of investments:		
Beginning of year	(7,006,238)	(26,232,601)
End of year	<u>(44,380,866)</u>	<u>(7,006,238)</u>
Net change in unrealized appreciation (depreciation)	<u>(37,374,628)</u>	<u>19,226,363</u>
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<u><u>\$ (40,023,389)</u></u>	<u><u>\$ 12,321,331</u></u>

See notes to financial statements, pages 7-8.

### Note A – Summary of Significant Accounting Policies

#### Basis of Accounting:

Units of the Illinois State Board of Investment Commingled Fund (Commingled Fund) are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective system.

Management expenses are deducted monthly from income before distribution. Each of the member systems' share of the total expenses for the fiscal year is as follows:

	<b>June 30</b>	
	<b>1980</b>	<b>1979</b>
General Assembly	\$ 5,464	\$ 5,861
Judges	24,579	24,145
State Employees'	396,105	396,638
	<b>\$426,148</b>	<b>\$426,644</b>

#### Valuation of Investments:

Investments owned at June 30, 1980, are included in the financial statements at market value, determined as

follows: (1) U.S. Government and agency, Canadian, and Corporate obligations—prices quoted by a major dealer in such securities; (2) Common and preferred stocks: (a) Listed—closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter—bid prices; and (3) Money market instruments—average cost which approximates market.

The cost of investments is average cost.

#### Investment Transactions and Investment Income:

Investment transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

### Note B – State Employees Deferred Compensation Plan

The Illinois State Board of Investment was assigned the responsibility to develop and establish the State Employees Deferred Compensation Plan (Illinois Revised Statutes, Chapter 108½, Section 24 of the Pension Code). In fiscal 1976 and 1977, the Board expended monies appropriated for this purpose totaling \$37,304, which are

to be repaid to the State general revenue fund from the State Employees Deferred Compensation Plan by June 30, 1986. The State general revenue fund has been reimbursed \$23,592 during fiscal 1980. These items are not included in the accompanying financial statements.

## Notes To Financial Statements (continued)

### Note C—Member Systems' Participation

#### Member Systems' Income and Expenses Fiscal Year Ended June 30, 1980

	General Assembly	Judges	State Employees'	Combined*
Commingled Fund income	\$ 1,091,943	\$ 4,904,937	\$ 79,112,411	\$ 85,109,291
Expenses	5,464	24,579	396,105	426,148
Net investment income	<u>\$ 1,086,479</u>	<u>\$ 4,880,358</u>	<u>\$ 78,716,306</u>	<u>\$ 84,683,143</u>

#### Member Systems' Changes in Net Assets Fiscal Year Ended June 30, 1980

Net assets, at beginning of year	\$ 11,135,281	\$ 48,016,822	\$ 782,593,828	\$ 841,745,931
Amount received for investment	600,000	4,000,000	56,000,000	60,600,000
Net investment income	1,086,479	4,880,358	78,716,306	84,683,143
Net realized and unrealized loss on investments	(537,258)	(2,237,645)	(37,248,486)	(40,023,389)
Net assets, at end of year	<u>\$ 12,284,502</u>	<u>\$ 54,659,535</u>	<u>\$ 880,061,648</u>	<u>\$ 947,005,685</u>

The source of net assets of the member systems at June 30, 1980, is as follows:

Amounts received for investment	\$ 7,916,520	\$ 39,336,788	\$ 638,117,966	\$ 685,371,274
Accumulated net income	6,001,663	20,982,524	355,283,281	382,267,468
Accumulated net realized loss on sale of investments	(331,088)	(415,351)	(26,587,833)	(27,334,272)
Net accumulated depreciation of investments	(1,302,593)	(5,244,426)	(86,751,766)	(93,298,785)
Net assets, at market value	<u>\$ 12,284,502</u>	<u>\$ 54,659,535</u>	<u>\$ 880,061,648</u>	<u>\$ 947,005,685</u>
Net assets, at cost	<u>\$ 13,587,095</u>	<u>\$ 59,903,961</u>	<u>\$ 966,813,413</u>	<u>\$ 1,040,304,469</u>

\*Combined columns for the member systems are presented for information purposes only and do not indicate that the assets of one system may be used for another system.

**Illinois State Board of Investment and  
Auditor General, State of Illinois**

We have examined the accompanying statement of net assets of the Illinois State Board of Investment Commingled Fund at June 30, 1980, and the related statements of operations and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Securities owned at June 30, 1980, other than those relating to uncompleted transactions, were counted by us or confirmed to us by the custodian. As to securities relating to uncompleted transactions, we requested confirmations from brokers, and where confirmations were not obtained, we performed other auditing procedures. The financial statements of the Illinois State Board of Investment for the year ended June 30, 1979 were examined by other auditors whose report dated August 16, 1979, expressed an unqualified opinion on those statements.

In our opinion, the statements mentioned above present fairly the financial position of the Illinois State Board of Investment at June 30, 1980, and the results of operations and changes in net assets for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

Chicago, Illinois  
August 15, 1980

S U P P L E M E N T A L

# FINANCIAL INFORMATION

**Portfolio of Investments**  
**Illinois State Board of Investment Commingled Fund**

June 30, 1980

Rating Moody's:S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity**
<b>Bonds (55.10%)*</b>							
<b>Government Obligations (18.44%)</b>							
U.S. Treasury (4.30%)							
\$21,000,000	U.S. Treasury Bonds		8.625%	11/15/93	\$ 20,983,970	\$ 18,663,744	10.16%
25,000,000	U.S. Treasury Bonds		8.750	11/15/08	24,631,778	22,046,864	10.01
46,000,000	Total U.S. Treasury				45,615,748	40,710,608	
Federal Agency (14.14%)							
8,000,000	Chrysler Corp. Notes		10.350	06/01/90	8,000,000	8,000,000	10.35
1,457,981	Federal Home Loan Mtg. Corp.		8.250	10/01/07	1,436,112	1,228,554	10.73
10,525,635	Federal Home Loan Mtg. Corp.		8.500	2007-8	10,181,495	8,974,930	10.84
12,613,225	Federal Home Loan Mtg. Corp.		8.750	2008	11,974,680	10,940,030	10.85
13,376,790	Federal Home Loan Mtg. Corp.		9.000	06/01/08	13,034,010	11,738,317	10.94
13,530,508	Federal Home Loan Mtg. Corp.		9.250	08/01/08	13,302,181	12,007,814	11.04
5,000,000	Federal Home Loan Mtg. Corp.		12.450	09/15/04	4,987,500	5,078,125	12.24
10,000,000	Federal National Mtg. Assn.		8.700	10/10/80	10,000,000	10,000,000	8.70
7,500,000	Federal National Mtg. Assn.		11.150	05/11/87	7,911,328	7,706,250	10.57
5,000,000	Federal National Mtg. Assn.		10.500	06/10/88	5,031,875	5,003,125	10.49
29,062,942	Governm't National Mtg. Assn.		7.500	2005-7	27,704,942	23,390,506	10.70
15,193,050	Governm't National Mtg. Assn.		8.000	2000,6-7	15,107,074	12,517,754	10.93
4,871,121	Governm't National Mtg. Assn.		9.000	10/15/08	4,767,609	4,262,757	11.14
7,000,000	International Bank for R. & D.		8.600	07/15/85	7,283,730	6,515,149	10.40
2,800,000	International Bank for R. & D.		8.850	12/15/85	2,907,219	2,650,277	10.15
4,500,000	International Bank for R. & D.		9.350	12/15/00	4,500,000	3,900,490	11.00
150,431,252	Total Federal Agency				148,129,755	133,914,078	
196,431,252	Total Government Obligations				193,745,503	174,624,686	
<b>Canadian Obligations (2.79%)</b>							
AAA:AAA	1,000,000	Brit. Col. Hydro. & Power Auth.	10.250	10/01/99	1,000,000	938,233	11.03
AAA:AAA	2,500,000	Brit. Col. Hydro. & Power Auth.	9.625	06/01/05	2,537,500	2,209,175	11.00
AAA:AAA	2,000,000	Brit. Col. Hydro. & Power Auth.	8.375	06/01/07	1,984,375	1,563,198	10.90
AAA:AAA	5,500,000	Government of Canada	9.250	10/15/98	5,500,000	4,825,910	10.80
A:A	1,500,000	New Brun. Elec. Power Comm.	8.750	08/01/07	1,480,000	1,160,639	11.48
AAA:AAA	4,500,000	Ontario Province, Canada	9.250	11/15/05	4,445,924	3,844,732	10.96
AAA:AAA	4,500,000	Ontario Province, Canada	9.375	06/01/08	4,188,520	3,875,478	10.98
AAA:AAA	2,000,000	Ontario Province, Canada	9.875	09/20/09	1,990,000	1,802,819	11.01
AA:AA	3,500,000	Quebec Hydro. Elec. Comm.	10.700	08/01/84	3,505,625	3,473,750	10.78
AA:AA	3,000,000	Quebec Hydro. Elec. Comm.	10.250	01/15/05	3,018,750	2,717,286	11.40
	30,000,000	Total Canadian Obligations			29,650,694	26,411,220	
<b>Corporate Obligations (33.87%)</b>							
Public Utilities (19.28%)							
Communications (12.06%)							
AAA:AAA	2,500,000	American Tel. & Tel.	8.625	02/01/07	2,468,750	2,102,800	10.39
AAA:AAA	2,750,000	Ches. & Potomac Tel., Md.	8.875	06/01/09	2,761,301	2,293,566	10.75
AA:AA	1,900,000	Hawaiian Tel.	8.500	04/01/06	1,878,625	1,489,018	11.05

\*Percentage of total portfolio at market value.

\*\*Based on market value at June 30, 1980.

**Portfolio of Investments**  
**Illinois State Board of Investment Commingled Fund (continued)**

June 30, 1980

Rating Moody's:S&P	Par Value		Interest Rate	Maturity Date	Cost	Market Value	Yield to Maturity
<b>Bonds (continued)</b>							
<b>Corporate Obligations</b>							
Public Utilities							
Communications (continued)							
AAA:AAA \$	1,500,000	Michigan Bell Tel.	8.125%	06/01/15	\$ 1,338,195	\$ 1,137,908	10.80%
AAA:AAA	2,000,000	Michigan Bell Tel.	9.125	12/01/18	1,932,520	1,672,214	10.95
AAA:AAA	2,000,000	Mountain States Tel. & Tel.	7.750	06/01/13	1,690,500	1,473,290	10.65
AAA:AAA	10,000,000	Mountain States Tel. & Tel.	9.250	12/15/14	9,891,875	8,610,931	10.79
AAA:AAA	4,000,000	Mountain States Tel. & Tel.	11.250	11/01/19	3,978,750	3,904,042	11.53
AAA:AAA	10,000,000	New York Tel.	8.300	08/15/12	9,386,636	7,799,794	10.75
AAA:AAA	2,000,000	New York Tel.	8.875	03/15/15	1,882,460	1,660,373	10.75
AAA:AAA	6,600,000	New York Tel.	8.625	06/15/16	6,522,204	5,325,568	10.75
AAA:AAA	3,000,000	Northwestern Bell Tel.	8.625	06/15/12	2,899,947	2,427,858	10.75
AAA:AAA	10,000,000	Northwestern Bell Tel.	9.500	08/15/16	9,851,875	8,703,941	10.95
AAA:AAA	6,900,000	Pacific Northwest Bell Tel.	9.000	11/01/12	7,019,125	5,814,762	10.75
A:A	6,000,000	Pacific Tel. & Tel.	9.100	10/15/84	6,356,875	5,705,802	10.54
A:A	3,500,000	Pacific Tel. & Tel.	15.125	03/01/88	3,963,750	3,991,394	12.24
A:A	8,000,000	Pacific Tel. & Tel.	9.500	06/15/11	8,741,875	6,567,944	11.65
A:A	1,000,000	Pacific Tel. & Tel.	8.875	07/01/15	1,000,000	791,730	11.28
A:A	6,600,000	Pacific Tel. & Tel.	9.625	07/15/18	6,639,874	5,539,206	11.50
AAA:AAA	7,500,000	South Central Bell Tel.	9.200	04/01/10	7,834,135	6,351,622	10.95
AAA:AAA	8,150,000	South Central Bell Tel.	8.250	03/01/17	7,101,208	6,324,706	10.70
AAA:AAA	3,250,000	Southern Bell Tel.	8.250	04/15/16	2,928,666	2,523,681	10.70
AAA:AAA	11,000,000	Southwestern Bell Tel.	8.500	03/15/16	10,577,500	8,752,417	10.75
AAA:AAA	12,500,000	Southwestern Bell Tel.	8.250	04/01/17	11,455,301	9,699,928	10.70
AAA:AAA	4,000,000	Southwestern Bell Tel.	9.625	03/15/19	3,592,500	3,582,075	10.77
	136,650,000	Total Communications			133,694,447	114,246,570	
Electric Utilities (7.22%)							
AA:AA	8,500,000	Baltimore Gas & Electric	9.375	07/01/08	8,476,060	7,243,190	11.10
A:A	2,000,000	Carolina Power & Light	14.125	04/01/87	2,196,500	2,207,492	11.84
AA:AA	5,000,000	Central Power & Light	12.375	01/01/10	5,000,000	5,170,650	11.95
A:A	1,500,000	Commonwealth Edison	6.375	10/01/98	1,095,495	934,153	11.27
A:A	2,000,000	Commonwealth Edison	8.125	06/01/07	1,742,500	1,473,629	11.25
A:A	4,650,000	Florida Power	13.625	04/01/87	5,015,125	5,060,055	11.69
A:A	1,500,000	Hawaiian Electric	11.250	12/01/04	1,500,000	1,432,044	11.82
AA:AA	5,000,000	Houston Light & Power	9.250	12/01/08	4,921,250	4,223,838	11.05
AA:AA	4,000,000	Kentucky Utilities	9.250	06/01/06	4,051,250	3,359,325	11.15
AA:AA	2,000,000	National Rural Utilities	10.500	11/01/81	2,200,000	2,006,098	10.23
AA:AA	9,650,000	National Rural Utilities	9.750	09/01/09	9,603,680	8,416,170	11.25
AA:AA	6,000,000	Pacific Gas & Electric	12.750	02/01/13	6,000,000	6,190,416	12.35
A:A	2,000,000	Public Service of Colorado	15.000	03/01/87	2,210,000	2,240,986	12.29
AA:AA	10,000,000	Public Service Electric & Gas	9.750	07/01/09	9,967,500	8,798,367	11.15
AA:AA	5,000,000	Southern California Edison	9.625	11/01/03	4,986,244	4,388,993	11.10
AAA:AAA	2,500,000	Texas Electric Service	9.500	02/01/09	2,482,500	2,184,667	10.95
AAA:AAA	1,500,000	Texas Power & Light	9.375	02/01/09	1,474,687	1,288,788	11.00
AA:AA	2,250,000	Wisconsin Public Service	8.200	02/01/12	2,241,000	1,727,869	10.80
	75,050,000	Total Electric Utilities			75,163,791	68,346,730	
	211,700,000	Total Public Utilities			208,858,238	182,593,300	

<b>Rating</b>			<b>Interest</b>	<b>Maturity</b>		<b>Market</b>	<b>Yield to</b>
<b>Moody's:S&amp;P</b>	<b>Par Value</b>		<b>Rate</b>	<b>Date</b>	<b>Cost</b>	<b>Value</b>	<b>Maturity</b>
<b>Bonds (continued)</b>							
<b>Corporate Obligations</b>							
Industrials (6.09%)							
A:A	\$ 2,000,000	Aluminum Co. of America	9.450%	05/15/00	\$ 2,000,000	\$ 1,780,904	10.80%
AA:AA	1,000,000	Anheuser Busch	9.200	04/01/05	1,000,000	862,815	10.80
AAA:AA	1,500,000	Atlantic Richfield	8.625	04/01/00	1,539,375	1,273,066	10.45
AA:AA	5,000,000	Continental Oil	8.875	06/01/01	4,987,500	4,298,561	10.55
AAA:AAA	4,000,000	duPont de Nemours	8.450	11/15/04	3,925,000	3,328,455	10.35
AAA:AAA	2,500,000	Exxon Pipeline	9.000	10/15/04	2,515,500	2,192,132	10.40
AA:AA	21,000,000	Ford Motor	9.150	08/01/04	20,313,050	16,326,920	11.99
A:A	4,000,000	Lucky Stores	11.125	06/01/87	4,062,500	3,961,384	11.33
A:A	1,000,000	McDermott (J. Ray)	10.200	12/01/99	1,015,000	902,681	11.46
A:A	1,900,000	Owens Illinois	9.350	11/01/99	2,034,750	1,654,998	10.97
A:A	2,000,000	Philip Morris	8.875	06/01/04	1,987,500	1,669,393	10.82
AA:AA	2,000,000	Richardson-Merrell	8.850	12/15/99	2,000,000	1,699,700	10.70
AAA:AA	3,000,000	Shell Oil	8.750	05/15/05	2,977,500	2,539,212	10.50
A:AA	3,000,000	Sohio/BP Trans. Alaska Pipeline	9.750	12/01/99	3,040,000	2,688,593	11.06
A:A	5,000,000	Southland Corp.	9.500	08/15/04	4,962,500	4,314,084	11.15
AAA:AA	4,250,000	Texaco	8.875	05/01/05	4,358,057	3,595,500	10.65
AA:A	3,000,000	Union Carbide	8.500	01/15/05	3,003,750	2,420,970	10.75
AA:AA	2,500,000	Weyerhaeuser	8.900	11/15/04	2,510,965	2,150,491	10.50
	<u>68,650,000</u>	Total Industrials			<u>68,232,947</u>	<u>57,659,859</u>	
Bank and Finance (8.50%)							
A:AA	6,000,000	Beneficial Corp.	11.500	01/15/84	6,091,340	6,060,000	11.21
AAA:AAA	9,500,000	Citicorp Floating Rate	14.250	09/01/98	9,533,250	9,215,000	*
AAA:AAA	14,000,000	Citicorp Floating Rate	16.600	05/01/04	13,937,313	13,825,000	*
AAA:AAA	5,100,000	Coast Federal Savings & Loan	10.500	06/01/85	5,093,625	5,016,343	10.94
AAA:AAA	4,250,000	First Bank Systems Floating Rate	13.800	05/15/89	4,206,250	3,992,288	*
AA:AA	8,750,000	Ford Motor Credit	9.750	10/01/81	9,362,716	8,682,772	10.39
AA:AA	3,350,000	Ford Motor Credit	10.500	10/01/94	3,747,437	2,979,754	12.14
AA:AA	2,000,000	General Motors Acceptance	11.625	06/01/90	2,000,000	2,007,556	11.56
AAA:AAA	8,850,000	General Motors Acceptance	9.400	07/15/04	8,432,686	7,693,810	10.95
AAA:AAA	5,500,000	General Motors Acceptance	12.000	06/01/05	5,456,250	5,632,728	11.70
AAA:AAA	11,000,000	General Motors Acceptance	8.250	11/15/06	10,380,050	8,642,452	10.70
AA:AA	1,500,000	Household Finance	12.000	04/15/87	1,571,250	1,517,217	11.74
AAA:AAA	5,750,000	Washington Mutual Savings Bank	9.700	07/31/89	5,746,875	5,220,667	11.35
	<u>85,550,000</u>	Total Bank and Finance			<u>85,559,042</u>	<u>80,485,587</u>	
	<u>365,900,000</u>	Total Corporate Obligations			<u>362,650,227</u>	<u>320,738,746</u>	
	<u>\$592,331,252</u>	Total Bonds			<u>\$586,046,424</u>	<u>\$521,774,652</u>	

\*Due to the fluctuations of the interest rate over the life of the note  
the customary yield-to-maturity calculation cannot be made.

**Portfolio of Investments**  
**Illinois State Board of Investment Commingled Fund (continued)**

June 30, 1980

Shares		Cost	Market Value	Indicated Yield**
<b>Common Stock (20.30%)</b>				
Credit Sensitive (4.02%)				
Banking (0.23%)				
50,000	First International Bancshares	\$ 1,816,156	\$ 2,212,500	3.39%
Insurance (0.57%)				
115,000	Jefferson-Pilot	3,835,212	3,306,250	4.87
50,000	Lincoln National	2,052,552	2,062,500	6.79
165,000		5,887,764	5,368,750	
Utilities-Electric (1.32%)				
150,000	Baltimore Gas & Electric	3,889,888	3,506,250	10.44
200,000	Commonwealth Edison	5,439,575	4,500,000	11.56
220,000	Public Service Electric & Gas	5,077,825	4,537,500	11.25
570,000		14,407,288	12,543,750	
Utilities-Natural Gas (0.89%)				
40,000	American Natural Resources	1,832,050	1,680,000	8.19
95,000	Arkansas Louisiana Gas	2,601,613	2,719,375	4.33
85,000	Texas Oil & Gas	3,279,062	4,037,500	.67
220,000		7,712,725	8,436,875	
Utilities-Telephone (1.01%)				
100,000	American Tel. & Tel.	5,462,344	5,250,000	9.52
250,000	United Telecommunications	4,710,125	4,312,500	8.81
350,000		10,172,469	9,562,500	
1,355,000	Total Credit Sensitive	39,996,402	38,124,375	
Consumer Staples (5.14%)				
Cosmetics & Soap (0.33%)				
70,000	Revlon	3,288,560	3,123,750	3.50
Drugs & Health Care (1.36%)				
60,000	Abbott Laboratories	1,951,388	2,527,500	2.85
90,000	Bristol-Myers	3,041,863	3,498,750	4.12
75,000	Lilly Eli & Co.	3,972,337	3,675,000	4.29
55,000	SmithKline	2,890,400	3,210,625	2.84
280,000		11,855,988	12,911,875	
Entertainment & Services (0.83%)				
87,000	Gannett	3,707,802	3,958,500	4.40
125,000	McGraw-Hill	2,701,047	3,859,375	4.92
212,000		6,408,849	7,817,875	
Food & Beverages (1.16%)				
122,000	Archer-Daniels-Midland	4,255,765	4,087,000	.60
45,000	CPC International	2,531,965	3,088,125	4.95
125,000	General Foods	3,996,583	3,828,125	7.18
292,000		10,784,313	11,003,250	

\*\*Based on market value at June 30, 1980.

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Common Stock (continued)</b>				
Consumer Staples (continued)				
Retail (0.29%)				
<u>105,000</u>	Rite Aid	<u>\$ 2,225,650</u>	<u>\$ 2,756,250</u>	2.86%
Tobacco (1.17%)				
<u>120,000</u>	Philip Morris	<u>3,855,926</u>	<u>4,830,000</u>	3.98
<u>160,000</u>	Reynolds (R.J.) Industries	<u>4,528,812</u>	<u>6,220,000</u>	5.40
<u>280,000</u>		<u>8,384,738</u>	<u>11,050,000</u>	
<u>1,239,000</u>	Total Consumer Staples	<u>42,948,098</u>	<u>48,663,000</u>	
Basic Industry & Services (1.14%)				
Chemicals (0.34%)				
<u>110,000</u>	Ethyl Corp.	<u>2,887,508</u>	<u>3,217,500</u>	5.13
Containers-Packaging (0.30%)				
<u>100,000</u>	Federal Paper Board Industries	<u>2,488,462</u>	<u>2,825,000</u>	3.54
Transportation (0.50%)				
<u>30,000</u>	Missouri Pacific	<u>1,737,077</u>	<u>1,785,000</u>	5.58
<u>70,000</u>	Union Pacific	<u>1,877,219</u>	<u>2,992,500</u>	3.27
<u>100,000</u>		<u>3,614,296</u>	<u>4,777,500</u>	
<u>310,000</u>	Total Basic Industry & Services	<u>8,990,266</u>	<u>10,820,000</u>	
Energy (6.55%)				
Oil-Domestic & Exploration (3.21%)				
<u>60,000</u>	Atlantic Richfield	<u>4,977,337</u>	<u>5,610,000</u>	3.63
<u>70,000</u>	Getty Oil	<u>3,687,602</u>	<u>5,512,500</u>	2.09
<u>150,000</u>	Murphy Oil	<u>4,820,757</u>	<u>5,137,500</u>	1.46
<u>135,000</u>	Phillips Petroleum	<u>5,139,601</u>	<u>6,142,500</u>	3.96
<u>140,000</u>	Standard Oil (Indiana)	<u>4,163,532</u>	<u>8,015,000</u>	2.88
<u>555,000</u>		<u>22,788,829</u>	<u>30,417,500</u>	
Oil-International (1.77%)				
<u>75,000</u>	Exxon	<u>3,534,672</u>	<u>4,968,750</u>	7.85
<u>80,000</u>	Mobil	<u>5,153,213</u>	<u>5,700,000</u>	4.77
<u>80,000</u>	Standard Oil of California	<u>3,585,383</u>	<u>6,120,000</u>	4.71
<u>235,000</u>		<u>12,273,268</u>	<u>16,788,750</u>	
Oil-Service & Equipment (1.57%)				
<u>200,000</u>	Baker International	<u>6,189,512</u>	<u>6,250,000</u>	1.28
<u>50,000</u>	Halliburton	<u>4,928,375</u>	<u>5,475,000</u>	1.83
<u>50,000</u>	Helmerich & Payne	<u>2,448,775</u>	<u>3,093,750</u>	.58
<u>300,000</u>		<u>13,566,662</u>	<u>14,818,750</u>	
<u>1,090,000</u>	Total Energy	<u>48,628,759</u>	<u>62,025,000</u>	

**Portfolio of Investments**  
**Illinois State Board of Investment Commingled Fund (continued)**

June 30, 1980

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Common Stock (continued)</b>				
Capital Goods(3.22%)				
	Aerospace (0.69%)			
30,000	Raytheon	\$ 2,132,845	\$ 2,227,500	2.69%
100,000	Sundstrand	2,389,696	4,250,000	3.29
130,000		4,522,541	6,477,500	
Electric Equipment (0.53%)				
97,900	General Electric	5,262,554	5,041,850	5.83
Electronics (0.36%)				
55,200	Hewlett-Packard	3,393,666	3,443,100	.64
Office Equipment (1.64%)				
70,000	Burroughs	5,638,749	4,497,500	4.05
140,000	International Business Machines	8,804,605	8,225,000	5.86
59,880	Sperry Corp.	2,635,089	2,844,300	3.71
269,880		17,078,443	15,566,800	
552,980	Total Capital Goods	30,257,204	30,529,250	
Multi-Industry (0.23%)				
55,000	TRW	1,955,494	2,131,250	5.68
4,601,980	Total Common Stock	172,776,223	192,292,875	
<b>Convertible Preferred (0.12%)</b>				
15,500	TRW Pref. 3 cv \$4.50	1,168,348	1,100,500	6.34
15,500	Total Convertible Preferred Stock	1,168,348	1,100,500	
<b>Par Value</b>				
<b>Convertible Debentures (0.34%)</b>				
\$ 4,585,000	Morgan (J.P.) 4.75% 11/1/98	2,816,942	3,232,425	6.74
4,585,000	Total Convertible Debentures	2,816,942	3,232,425	
<b>Money Market Instruments (23.09%)</b>				
\$ 5,000,000	Associates Corp. of North America	5,000,000	5,000,000	9.13
15,757,000	Beneficial Corporation	15,757,000	15,757,000	14.92
10,657,000	C.I.T. Financial	10,657,000	10,657,000	13.17
10,289,000	Continental Illinois Corporation	10,289,000	10,289,000	9.69
17,500,000	Federal Farm Credit Banks	17,506,250	17,506,250	11.13
12,733,000	Ford Motor Credit	12,733,000	12,733,000	15.39
3,268,000	G.D. Searle	3,268,000	3,268,000	8.25
21,601,000	General Electric Credit	21,601,000	21,601,000	9.36
16,068,000	General Motors Acceptance Corp.	16,068,000	16,068,000	8.80
5,112,000	Household Finance	5,112,000	5,112,000	15.50
9,816,000	John Deere Credit	9,816,000	9,816,000	8.99
6,669,000	Montgomery Ward Credit	6,669,000	6,669,000	15.30
7,661,000	Motorola, Inc.	7,661,000	7,661,000	8.28

<b>Par Value</b>		<b>Cost</b>	<b>Market Value</b>	<b>Indicated Yield</b>
<b>Money Market Instruments (continued)</b>				
\$ 25,572,000	Sears Roebuck Acceptance	\$ 25,572,000	\$ 25,572,000	13.89%
2,808,000	TransAmerica Financial Corp.	2,808,000	2,808,000	9.25
48,055,000	U.S. Treasury Bills	45,130,156	45,130,156	7.85
2,995,000	Walter E. Heller	2,995,000	2,995,000	17.08
<u>221,561,000</u>	Total Money Market Instruments	<u>218,642,406</u>	<u>218,642,406</u>	
	<b>Total Investments</b>	<b>981,450,343</b>	<b>937,042,858</b>	
Other Assets, Less Liabilities (1.05%)				
Cash		(70,713)	(70,713)	
Receivable for:				
Investments sold		1,099,477	1,099,477	
Dividends & Interest		17,074,013	17,074,013	
Payable for:				
Investments purchased		(8,023,730)	(8,023,730)	
Operating expenses		(21,976)	(21,976)	
Outstanding call options		(120,864)	(94,244)	
Total other assets, less liabilities		<u>9,936,207</u>	<u>9,962,827</u>	
Accumulated net realized loss		<u>48,917,919</u>	—	—
<b>Net Assets</b>		<b>\$1,040,304,469</b>	<b>\$947,005,685</b>	

**Portfolio of Investments  
Illinois State Board of Investment Commingled Fund (continued)**

June 30, 1980

<b>Contracts</b>	<b>Expiration Date/ Exercise Price</b>	<b>Proceeds</b>	<b>Market</b>
<b>Outstanding Options</b>			
Credit Sensitive			
100     Utilities-Telephone	Jul/55	\$ 4,700	\$ 625
100     American Tel. & Tel.			
Total Credit Sensitive		4,700	625
Consumer Staples			
31     Drugs & Health Care			
31     Lilly Eli & Co.	Jul/60	1,441	194
Tobacco			
100     Reynolds (R.J.) Industries	Aug/40	7,150	10,000
Total Consumer Staples		8,591	10,194
Basic Industry & Services			
100     Transportation			
100     Union Pacific	Aug/45	6,600	15,000
Total Basic Industry & Services		6,600	15,000
Energy			
25     Oil-Domestic & Exploration			
25     Atlantic Richfield	Jul/100	4,718	1,250
65     Phillips Petroleum	Aug/50	10,215	7,719
200     Phillips Petroleum	Aug/55	24,105	8,750
		39,038	17,719
50     Oil-International			
50     Exxon	Jul/70	3,912	1,562
100     Mobil	Aug/90	6,050	2,500
		9,962	4,062
60     Oil-Service & Equipment			
60     Halliburton	Jul/110	7,277	19,500
Total Energy		56,277	41,281
Capital Goods			
113     Electronics			
113     Hewlett-Packard	Aug/70	10,936	7,769
125     Office Equipment			
125     Burroughs	Jul/70	13,911	3,125
200     International Business Machines	Jul/60	19,849	16,250
		33,760	19,375
438     Total Capital Goods		44,696	27,144
1,219     Total Outstanding Options		\$ 120,864	\$ 94,244

## Portfolio Data

	Fiscal Years Ended June 30	
	1980	1979
<b>TOTAL PORTFOLIO</b>		
Total Net Assets at Market*	\$947.0	\$841.7
Net Investment Income*	84.7	61.4
Net Realized and Unrealized Gain (Loss) on Investments*	(40.0)	12.3
Total Return	5.0%	9.5%
*In millions.		
<b>BOND PORTFOLIO</b>		
Average Maturity**	21 yrs	22 yrs
Average Coupon	9.6%	9.0%
Average Quality (AAA=4, AA=3)	3.6	3.7
<b>MATURITY DISTRIBUTION</b>		
Under 6 years	9.6%	9.2%
6-10	9.8	3.1
11-15**	21.4	26.6
16-25	22.1	18.6
Over 25	37.1	42.5
	<u>100.0%</u>	<u>100.0%</u>
**Government National Mortgage Assoc. and Federal Home Loan Mortgage Corp. securities with approximately 30 year final maturities and estimated average lives of 12 years are considered as 12 year maturities.		
<b>QUALITY ANALYSIS</b>		
U.S. Government & agency	33.5%	42.0%
AAA	34.0	34.8
AA	20.5	15.3
A	12.0	7.9
	<u>100.0%</u>	<u>100.0%</u>
<b>INDUSTRY DIVERSIFICATION</b>		
U.S. Government & agency	33.5%	42.0%
Canadian	5.1	5.7
Communications	21.9	20.8
Electric Utilities	13.1	7.8
Industrial	11.0	10.1
Bank & Finance	15.4	13.6
	<u>100.0%</u>	<u>100.0%</u>

## Portfolio Data (continued)

### EQUITY PORTFOLIO

#### Five Largest Industry Positions

	Percent of Equities Held	S&P 500
Oil-Domestic & Exploration	15.8%	10.3%
Oil-International	8.7	11.4
Office Equipment	8.1	6.6
Oil-Service & Equipment	7.7	4.2
Drugs & Health Care	6.7	5.7

#### Fifteen Largest Holdings

Security	Market Value	Percent of Equities Held
International Business Machines	\$8,225,000	4.3%
Standard Oil (Indiana)	8,015,000	4.1
Baker International	6,250,000	3.2
Reynolds (R.J.) Industries	6,220,000	3.2
Phillips Petroleum	6,142,500	3.2
Standard Oil of California	6,120,000	3.2
Mobil	5,700,000	3.0
Atlantic Richfield	5,610,000	2.9
Getty Oil	5,512,500	2.9
Halliburton	5,475,000	2.8
American Tel. & Tel.	5,250,000	2.7
Murphy Oil	5,137,500	2.7
General Electric	5,041,850	2.6
Exxon	4,968,750	2.6
Philip Morris	4,830,000	2.5

Major Purchases	Amount
Baker International	\$6,189,512
Sperry Corp.	5,492,300
Mobil	5,153,212
Halliburton	4,928,375
Murphy Oil	4,820,757
Archer-Daniels-Midland	4,435,227
Lilly Eli & Co.	3,972,337
Jefferson-Pilot	3,835,212

Major Sales	Amount
Morgan (J.P.)	\$5,894,147
Dresser Industries	4,941,182
Kraft	4,850,785
Southwestern Life	4,220,775
U.S. Fidelity & Guarantee	3,798,326
Champion International	3,067,557
Melville	3,044,481
Conn. General Insurance	3,022,109

**Transactions  
Illinois State Board of Investment Commingled Fund**

**Fiscal Year Ended June 30, 1980**

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit Price</b>	<b>Total Cost/Proceeds</b>	<b>Realized Gain (Loss)</b>
<b>BONDS</b>						
Purchases						
\$ 6,000,000	Beneficial Corp.	11.500%	01/15/84	101.522	\$ 6,091,340.00	
2,000,000	Carolina Power & Light	14.125	04/01/87	109.825	2,196,500.00	
5,000,000	Central Power & Light	12.375	01/01/10	100.000	5,000,000.00	
500,000	Ches. & Potomac Tel., Md.	8.875	06/01/09	94.279	471,395.00	
8,000,000	Chrysler Corp. Notes	10.350	06/01/90	100.000	8,000,000.00	
2,000,000	Citicorp Floating Rate	16.600	05/01/04	95.296	1,905,937.50	
5,100,000	Coast Federal Savings & Loan	10.500	06/01/85	99.875	5,093,625.00	
1,500,000	Commonwealth Edison	6.375	10/01/98	73.033	1,095,495.00	
2,000,000	Commonwealth Edison	8.250	12/01/07	87.125	1,742,500.00	
10,000,000	Federal Farm Credit Banks	10.600	10/23/89	95.468	9,546,875.00	
5,000,000	Federal Home Loan Mtg. Assn.	12.450	09/15/09	99.750	4,987,500.00	
5,000,000	Federal National Mtg. Assn.	10.500	06/10/88	100.637	5,031,875.00	
7,500,000	Federal National Mtg. Assn.	11.150	05/11/87	105.484	7,911,328.13	
1,250,000	First Bank System Floating Rate	13.800	05/15/89	96.500	1,206,250.00	
4,650,000	Florida Power	13.625	04/01/87	107.852	5,015,125.00	
21,000,000	Ford Motor Co.	9.150	08/01/04	96.728	20,313,050.00	
2,000,000	General Motors Acceptance	11.625	06/01/90	100.000	2,000,000.00	
13,850,000	General Motors Acceptance	9.400	07/15/04	95.284	13,196,915.00	
500,000	General Motors Acceptance	12.000	02/01/05	99.000	495,000.00	
5,500,000	General Motors Acceptance	12.000	06/01/05	99.204	5,456,250.00	
1,500,000	Household Finance	12.000	04/15/87	104.750	1,571,250.00	
1,000,000	Houston Light & Power	8.375	10/01/07	76.978	769,780.00	
8,000,000	International Business Machines	9.375	10/01/04	91.203	7,296,250.00	
4,000,000	Lucky Stores	11.125	06/01/87	101.562	4,062,500.00	
2,000,000	Michigan Bell Tel.	9.125	12/01/18	96.626	1,932,520.00	
2,000,000	Mountain States Tel. & Tel.	7.750	06/01/13	84.525	1,690,500.00	
4,000,000	Mountain States Tel. & Tel.	11.250	11/01/19	99.468	3,978,750.00	
9,650,000	National Rural Utilities	9.750	09/01/09	99.520	9,603,680.00	
4,000,000	New York Tel.	8.300	08/15/12	86.622	3,464,880.00	
2,000,000	New York Tel.	8.875	03/15/15	94.123	1,882,460.00	
2,100,000	New York Tel.	8.625	06/15/16	92.111	1,934,331.00	
10,000,000	Northwestern Bell Tel.	9.500	08/15/16	98.518	9,851,875.00	
1,000,000	Ontario Province, Canada	9.250	11/15/05	84.814	848,140.00	
2,000,000	Ontario Province, Canada	9.375	06/01/08	84.426	1,688,520.00	
6,000,000	Ontario Province, Canada	9.875	09/20/09	99.500	5,970,000.00	
6,000,000	Pacific Gas & Electric	12.750	02/01/13	100.000	6,000,000.00	
3,500,000	Pacific Tel. & Tel.	15.125	03/01/88	113.250	3,963,750.00	
2,000,000	Public Service of Colorado	15.000	03/01/87	110.500	2,210,000.00	
10,000,000	Public Service Electric & Gas	9.750	07/01/09	99.675	9,967,500.00	
1,500,000	South Central Bell Tel.	9.200	04/01/10	96.645	1,449,675.00	
500,000	South Central Bell Tel.	8.250	08/01/13	87.841	439,205.00	
2,500,000	South Central Bell Tel.	8.250	03/01/17	78.544	1,963,610.00	
10,000,000	South Central Bell Tel.	9.625	03/01/19	88.848	8,884,850.00	
5,000,000	Southland Corp.	9.500	08/15/04	99.250	4,962,500.00	

**Transactions**
**Illinois State Board of Investment Commingled Fund (continued)**
**Fiscal Year Ended June 30, 1980**

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit Price</b>	<b>Total Cost/Proceeds</b>	<b>Realized Gain (Loss)</b>
<b>BONDS</b>						
Purchases (continued)						
\$ 1,000,000	Southwestern Bell Tel.	8.500%	03/15/16	91.212	\$ 912,120.00	
4,000,000	Southwestern Bell Tel.	9.625	03/15/19	89.812	3,592,500.00	
5,000,000	Texas Instruments	12.700	02/01/05	100.000	5,000,000.00	
5,000,000	U. S. Treasury Bonds	10.500	02/15/95	98.875	4,943,750.00	
5,000,000	U. S. Treasury Bonds	8.750	11/15/08	98.500	4,925,000.00	
129,000,000	U. S. Treasury Bonds	9.125	05/15/09	94.567	121,991,953.13	
33,000,000	U. S. Treasury Bonds	10.375	11/15/09	98.689	32,567,593.75	
10,000,000	U. S. Treasury Bonds	10.000	05/15/10	96.437	9,643,750.00	
5,000,000	U. S. Treasury Bonds	11.750	02/15/10	99.590	4,979,500.00	
14,260,000	U. S. Treasury Notes	14.375	05/15/85	103.767	14,797,181.25	
13,700,000	U. S. Treasury Notes	12.000	05/15/87	96.497	13,220,093.75	
20,000,000	U. S. Treasury Notes	9.250	05/15/89	96.306	19,261,250.00	
5,000,000	U. S. Treasury Notes	10.750	11/15/89	100.000	5,000,000.00	
5,750,000	Wash. Mutual Savings Bk.	9.700	07/31/89	99.945	5,746,875.00	
<b>\$464,310,000</b>					<b>\$449,725,053.51</b>	
Sales						
\$ 2,500,000	Abbott Laboratories	9.200	10/15/99	75.506	\$ 1,887,650.00	\$ (639,030.00)
5,700,000	Beneficial Corp.	9.750	10/15/79	100.000	5,700,000.00	(201,537.07)
2,000,000	Ches. & Potomac Tel., Md.	8.875	06/01/09	94.753	1,895,060.00	(113,158.95)
700,000	Ches. & Potomac Tel., Va.	9.250	12/15/15	91.392	639,744.00	(63,784.00)
5,500,000	Citicorp Floating Rate	14.250	09/01/98	101.068	5,558,750.00	39,500.00
3,000,000	Citicorp Floating Rate	16.600	05/01/04	99.291	2,978,750.00	(29,093.75)
2,000,000	Deere & Co.	8.000	11/15/02	83.183	1,663,660.00	(314,340.00)
10,000,000	Federal Farm Credit Bks.	10.600	10/23/89	96.487	9,648,750.00	101,875.00
169,642	Federal Home Loan Mtg. Corp.	8.250	10/01/07	100.000	169,641.60	2,544.62
948,667	Federal Home Loan Mtg. Corp.	8.500	2007-8	100.000	948,666.80	31,004.58
1,074,717	Federal Home Loan Mtg. Corp.	8.750	2008	100.000	1,074,717.10	54,407.56
850,341	Federal Home Loan Mtg. Corp.	9.000	06/01/08	100.000	850,341.00	21,789.98
908,163	Federal Home Loan Mtg. Corp.	9.250	08/01/08	100.000	908,163.00	15,325.25
2,000,000	First Bank System Floating Rate	13.800	05/15/89	96.234	1,924,687.50	(75,312.50)
4,000,000	Ford Motor Co.	7.400	01/15/80	98.725	3,949,000.00	(86,000.00)
5,000,000	General Motors Acceptance	9.400	07/15/04	71.237	3,561,875.00	(1,202,354.24)
500,000	General Motors Acceptance	12.000	02/01/05	89.815	449,075.00	(45,925.00)
2,032,147	Governm't National Mtg. Assn.	7.500	2005-7	100.000	2,032,147.60	100,154.98
1,506,524	Governm't National Mtg. Assn.	8.000	2000,6-8	100.000	1,506,523.88	7,799.54
103,218	Governm't National Mtg. Assn.	9.000	10/15/08	100.000	103,217.72	2,193.37
1,000,000	Houston Light & Power	8.375	10/10/07	82.756	827,560.00	57,780.00
6,800,000	International Bank for R & D	8.000	01/01/80	100.000	6,800,000.00	(127,913.00)
8,000,000	International Business Machines	9.375	10/01/04	85.000	6,800,000.00	(496,250.00)
1,100,000	Northwestern Bell Tel.	8.125	03/15/17	83.250	915,750.00	(70,070.00)
2,000,000	Ontario Province, Canada	9.250	11/15/05	83.821	1,676,420.00	(299,546.15)
4,000,000	Ontario Province, Canada	9.875	09/20/09	90.250	3,610,000.00	(370,000.00)
1,000,000	Penny (J.C.)	9.000	06/15/99	70.420	704,200.00	(295,800.00)
2,000,000	Public Service of Indiana	9.600	08/01/05	99.532	1,990,650.00	(9,350.00)

<b>Par Value</b>		<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Unit Price</b>	<b>Total Cost/Proceeds</b>	<b>Realized Gain (Loss)</b>
<b>Bonds</b>						
Sales (continued)						
\$ 1,000,000	South Central Bell Tel.	8.250%	08/01/13	83.460	\$ 834,600.00	\$ (66,268.33)
10,000,000	South Central Bell Tel.	9.625	03/01/19	76.200	7,620,000.00	(1,264,850.00)
500,000	Southern Bell Tel.	8.250	04/15/16	88.452	442,260.00	(8,304.00)
3,000,000	Southern Calif. Edison	9.625	11/01/03	99.156	2,974,680.00	(17,066.25)
5,000,000	Texas Instruments	12.700	02/01/05	98.312	4,915,625.00	(84,375.00)
5,000,000	U.S. Treasury Bonds	10.500	02/15/95	105.437	5,271,875.00	328,125.00
25,000,000	U.S. Treasury Bonds	8.750	11/15/08	96.070	24,017,578.13	(614,199.97)
129,000,000	U.S. Treasury Bonds	9.125	05/15/09	91.742	118,347,026.89	(3,644,926.24)
33,000,000	U.S. Treasury Bonds	10.375	11/15/09	88.257	29,125,000.00	(3,442,593.75)
5,000,000	U.S. Treasury Bonds	11.750	02/15/10	96.875	4,843,750.00	(135,750.00)
10,000,000	U.S. Treasury Bonds	10.000	05/15/10	96.718	9,671,875.00	28,125.00
14,260,000	U.S. Treasury Notes	14.375	05/15/85	118.519	16,900,856.25	2,103,675.00
13,700,000	U.S. Treasury Notes	12.000	05/15/87	109.594	15,014,437.50	1,794,343.75
20,000,000	U.S. Treasury Notes	9.250	05/15/89	94.234	18,846,875.00	(414,375.00)
5,000,000	U.S. Treasury Notes	10.750	11/15/89	100.500	5,025,000.00	25,000.00
<b>\$355,853,419</b>					<b>\$334,626,438.97</b>	<b>\$(9,418,529.57)</b>

### **Shares**

<b>Common Stock</b>						
Purchases						
40,000	American Natural Resources	45.801	\$ 1,832,050.00			
20,000	American Tel. & Tel.	53.035	1,060,700.00			
127,000	Archer-Daniels-Midland	34.923	4,435,227.50			
95,000	Arkansas Louisiana Gas	27.385	2,601,612.50			
40,000	Atlantic Richfield	94.806	3,792,250.00			
110,000	Baker International	56.268	6,189,512.50			
25,000	Bristol-Myers	32.827	820,675.00			
45,000	CPC International	56.265	2,531,965.00			
40,000	Emhart	34.455	1,378,200.00			
110,000	Ethyl	26.250	2,887,507.50			
25,000	Exxon	57.614	1,440,350.00			
50,000	First International Bancshares	36.323	1,816,156.00			
10,000	Gannett	46.275	462,750.00			
27,900	General Electric	49.056	1,368,678.00			
20,000	Getty Oil	74.000	1,480,000.00			
50,000	Halliburton	98.567	4,928,375.00			
50,000	Helmerich & Payne	48.975	2,448,775.00			
55,200	Hewlett-Packard	61.479	3,393,666.00			
115,000	Jefferson-Pilot	33.349	3,835,212.50			
75,000	Lilly Eli & Co.	52.964	3,972,337.50			
50,000	Lincoln National	41.051	2,052,552.00			

**Transactions****Illinois State Board of Investment Commingled Fund (continued)****Fiscal Year Ended June 30, 1980**

<b>Shares</b>		<b>Unit Price</b>	<b>Total Cost/Proceeds</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Purchases (continued)				
30,000	Missouri Pacific	57.902	\$ 1,737,077.50	
80,000	Mobil	64.415	5,153,212.50	
73,500	Morgan (J.P.)	46.956	3,451,310.00	
50,000	Murphy Oil	96.415	4,820,757.50	
60,000	Phillips Petroleum	45.929	2,755,772.50	
30,000	Raytheon	71.094	2,132,845.00	
70,000	Revlon	46.979	3,288,560.00	
55,000	SmithKline	52.552	2,890,400.00	
119,880	Sperry Corp.	45.815	5,492,300.00	
30,900	Standard Oil of California	54.948	1,697,910.00	
20,000	Standard Oil (Indiana)	84.620	1,692,400.00	
15,000	Texaco	29.315	439,725.00	
85,000	Texas Oil & Gas	38.577	3,279,062.50	
22,600	TRW	35.639	805,447.50	
<b>1,921,980</b>			<b>\$94,365,332.00</b>	
Sales				
5,000	Archer-Daniels-Midland	24.884	\$ 124,420.83	\$ (55,041.88)
25,000	Bristol-Myers	39.388	984,722.06	139,760.10
115,000	Champion International	26.674	3,067,557.37	318,850.37
85,000	Conn. General Insurance	35.554	3,022,108.95	99,304.78
100,000	Dresser Industries	49.411	4,941,182.31	863,982.31
90,000	Emhart	28.048	2,524,382.90	(608,410.60)
78,183	Georgia-Pacific	28.945	2,263,003.42	209,561.34
70,000	Great Northern Nekoosa	35.802	2,506,163.58	86,796.98
40,000	International Business Machines	69.686	2,787,471.81	271,870.28
80,000	Knight-Ridder Newspapers	23.948	1,915,913.87	69,251.37
100,000	Kraft	48.507	4,850,784.79	326,851.83
25,000	Macy (RH)	54.588	1,364,709.36	319,171.86
50,000	McGraw-Hill	31.100	1,555,027.99	474,609.29
110,500	Melville	27.551	3,044,480.74	248,912.36
40,000	Mobil	50.037	2,001,483.10	552,270.60
133,500	Morgan (J.P.)	44.150	5,894,147.80	(257,699.70)
42,500	New York Times Class A	22.423	952,998.12	(216,739.38)
40,000	Smith International	59.498	2,379,920.48	548,036.71
125,000	Southwestern Life	33.766	4,220,775.00	1,757,969.60
60,000	Sperry Corp.	42.588	2,555,312.70	(301,898.30)
50,000	Sundstrand	42.115	2,105,761.56	910,913.56
60,000	Texaco	27.505	1,650,299.81	70,570.12
10,000	TRW	41.949	419,490.95	63,946.60
100,000	U. S. Fidelity & Guarantee	37.983	3,798,325.97	537,895.97
15,000	Union Pacific	72.320	1,084,806.23	280,283.91
56,000	Winn-Dixie Stores	30.000	1,680,000.00	(167,566.11)
<b>1,705,683</b>			<b>\$63,695,251.70</b>	<b>\$6,543,453.97</b>

<b>Shares</b>		<b>Unit Price</b>	<b>Total Cost/Proceeds</b>	<b>Realized Gain (Loss)</b>
<b>Common Stock</b>				
Capitalization				
90,000	Baker International 2 for 1 stock split			
100,000	Murphy Oil 3 for 1 stock split			
80,000	Reynolds (R.J.) Industries 2 for 1 stock split			
70,000	Standard Oil of Indiana 2 for 1 stock split			
35,000	Union Pacific 2 for 1 stock split			
<b>375,000</b>				
<b>Convertible Debentures</b>				
Purchases				
\$ 8,885,000	Morgan (J.P.) 4.750% due 11/1/98	63.203	\$ 5,615,632.50	
2,500,000	Sperry Corp. 6.000% due 12/15/00	105.404	2,635,100.00	
<b>\$11,385,000</b>			<b>\$8,250,732.50</b>	
Sales/Conversions				
4,300,000	Morgan (J.P.) 4.750% due 11/1/98	68.177	\$ 2,931,611.25	\$ 132,921.48
2,500,000	Sperry Corp. 6.000% due 12/15/00	105.404	2,635,100.00	0
<b>\$ 6,800,000</b>			<b>\$ 5,566,711.25</b>	<b>\$ 132,921.48</b>
<b>Money Market Instruments</b>				
<b>\$1,279,345.00</b>	Purchases		<b>\$1,275,640,490.02</b>	
<b>\$1,283,320.00</b>	Sales		<b>\$1,282,534,083.72</b>	

**Transactions****Illinois State Board of Investment Commingled Fund (continued)****Fiscal Year Ended June 30, 1980**

<b>Contracts</b>		<b>Expiration Date/ Exercise Price</b>	<b>Price/ Share</b>	<b>Proceeds/ Payments</b>	<b>Realized Gain (Loss)</b>
<b>Options</b>					
<u>Sales</u>					
100	American Tel. & Tel.	Jul/55	0.47	\$ 4,699.83	
25	Atlantic Richfield	Apr/110	1.70	4,249.85	
25	Atlantic Richfield	Jul/100	1.89	4,718.58	
110	Burroughs	Apr/90	1.26	13,809.52	
125	Burroughs	Jul/70	1.11	13,910.75	
145	Dresser Industries	Apr/60	1.19	17,321.87	
120	Exxon	Apr/70	1.15	13,829.52	
50	Exxon	Jul/70	0.78	3,912.36	
50	General Electric	Jun/50	1.08	5,424.81	
80	Halliburton	Jul/110	1.21	9,702.15	
113	Hewlett-Packard	Aug/70	0.97	10,935.60	
120	International Business Machines	Apr/75	1.58	18,959.35	
200	International Business Machines	Jul/60	0.99	19,849.30	
65	Lilly Eli & Co.	Apr/60	0.97	6,327.37	
31	Lilly Eli & Co.	Jul/60	0.46	1,441.44	
50	Mobil	May/80	1.80	9,024.69	
50	Mobil	Aug/90	1.21	6,049.79	
65	Phillips Petroleum	Aug/50	1.57	10,214.64	
200	Phillips Petroleum	Aug/55	1.21	24,105.41	
91	Revlon	Jun/50	0.66	6,045.52	
100	Reynolds, (R.J.) Industries	Aug/40	0.71	7,149.75	
50	Standard Oil of California	Jun/80	1.21	6,049.79	
32	Standard Oil (Indiana)	May/110	1.24	3,971.85	
100	Union Pacific	Aug/45	0.66	6,599.76	
<b>2,097</b>				<b>\$228,303.50</b>	
<u>Repurchases</u>					
25	Atlantic Richfield	Apr/110	0.07	\$ 181.25	\$ 4,068.60
110	Burroughs	Apr/90	0.07	797.50	13,012.02
145	Dresser Industries	Apr/60	0.20	2,863.75	14,458.12
120	Exxon	Apr/70	0.07	870.00	12,959.52
50	General Electric	Jun/50	0.07	362.50	5,062.31
20	Halliburton	Jul/110	3.82	7,630.00	(5,204.46)
120	International Business Machines	Apr/75	0.07	870.00	18,089.35
65	Lilly Eli & Co.	Apr/60	0.07	471.25	5,856.12
<b>655</b>				<b>\$ 14,046.25</b>	<b>\$ 68,301.58</b>
<u>Expired</u>					
50	Mobil	May/80			\$ 9,024.69
91	Revlon	Jun/50			6,045.52
50	Standard Oil of California	Jun/80			6,049.79
32	Standard Oil (Indiana)	May/110			3,971.85
<b>223</b>					<b>\$25,091.85</b>

**Commissions Paid****Equity Securities & Options**

Blyth, Eastman, Dillon & Co., Incorporated	\$ 14,349
Bruan, Gordon & Co.	11,560
Donaldson, Lufkin & Jenrette Sec. Corp.	47,870
Drexel Burnham Lambert Incorporated	71,191
First Boston Corp. (The)	1,250
Goldman, Sachs & Co.	67,623
Hutton (E.F.) & Company Incorporated	21,114
Kidder, Peabody & Co. Incorporated	21,985
Merrill Lynch White Weld Capital Markets Group	82,433
Morgan Stanley & Co. Incorporated	59,999
O'Neil (William) & Co., Inc.	32,735
Oppenheimer & Co., Inc.	15,900
Paine Webber Mitchell Hutchins	2,300
Rotan Mosle Inc.	20,810
Smith Barney Harris Upham & Co. Incorporated	10,850
Tucker Anthony & R.L. Day, Inc.	28,755
Zunser (A.J.B.) & Co.	10,450
	<b>\$521,174</b>

**Transactions Executed on a Net Basis\***

	Par Value	Transaction Value
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**Fixed Income Securities****Syndicate Transactions**

Bache Halsey Stuart Shields Incorporated	\$4,250,000	\$ 4,250,100
Bankers Trust	5,000,000	5,000,000
Bear, Stearns & Co.	7,580,000	7,552,963
Continental Illinois National Bank & Trust Co.	2,500,000	2,500,000
Dean Witter Reynolds, Inc.	200,000	199,040
Dillon, Read & Co. Inc.	2,000,000	2,000,000
Drexel Burnham Lambert Incorporated	2,000,000	1,997,500
First Boston Corp. (The)	7,500,000	7,472,125
Goldman, Sachs & Co.	1,100,000	1,097,120
Hutton (E.F.) & Company Incorporated	6,000,000	6,000,000
Kidder, Peabody & Co. Incorporated	870,000	867,263
Lehman Brothers Kuhn Loeb Incorporated	6,150,000	6,125,600
Merrill Lynch, Pierce, Fenner & Smith, Inc.	13,950,000	13,936,765
Morgan Stanley & Co. Incorporated	9,150,000	9,138,080
Paine Webber, Jackson & Curtis, Inc.	3,200,000	3,195,100
Rothschild (L.F.), Unterberg, Towbin	1,550,000	1,545,000
Salomon Brothers	13,250,000	13,219,675
Shearson Loeb Rhoades, Hornblower & Co.	3,750,000	3,738,850
Smith Barney Harris Upham & Co. Incorporated	1,000,000	999,375
Tucker Anthony & R.L. Day, Inc.	500,000	495,000
Wertheim & Co., Inc.	950,000	950,000

\*Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the brokers and dealers.

Transactions Executed on a Net Basis* (continued)	Par Value	Transaction Value
Fixed Income Securities		
Secondary Market Transactions		
Government Obligations		
Bankers Trust	\$125,000,000	\$114,420,313
Bear, Stearns & Co.	23,500,000	22,489,196
Continental Illinois National Bank & Trust Co.	52,960,000	51,401,619
Dean Witter Reynolds, Inc.	4,000,000	4,757,500
Drexel Burnham Lambert Incorporated	3,500,000	3,565,272
First Boston Corp. (The)	27,110,000	26,389,764
First National Bank of Chicago (The)	5,000,000	5,104,688
Goldman, Sachs & Co.	6,500,000	6,583,203
Harris Trust & Savings Bank	10,000,000	10,043,750
Hutton (E.F.) & Company Incorporated	5,000,000	4,834,375
Lehman Brothers Kuhn Loeb Incorporated	3,000,000	3,032,610
Merrill Lynch, Pierce, Fenner & Smith, Inc.	132,200,000	130,083,308
Morgan Stanley & Co. Incorporated	11,700,000	11,778,625
Salomon Brothers	67,950,000	64,511,766
Shearson Loeb Rhoades, Hornblower & Co.	7,000,000	6,442,813
Smith Barney Harris Upham & Co. Incorporated	46,000,000	43,094,375
Corporate Obligations		
Bache Halsey Stuart Shields Incorporated	19,000,000	17,737,690
Bear, Stearns & Co.	28,950,000	26,289,454
Blyth Eastman Dillon & Co., Incorporated	2,500,000	2,330,900
Dean Witter Reynolds, Inc.	9,450,000	8,866,565
Dillon, Read & Co. Inc.	3,000,000	2,951,250
Drexel Burnham Lambert Incorporated	3,500,000	3,477,500
First Boston Corp. (The)	13,850,000	12,441,050
Goldman, Sachs & Co.	2,500,000	2,478,125
Hutton (E.F.) & Company Incorporated	3,500,000	2,963,210
Lehman Brothers Kuhn Loeb Incorporated	9,000,000	8,949,300
Merrill Lynch, Pierce, Fenner & Smith, Inc.	17,600,000	15,319,000
Morgan Stanley & Co. Incorporated	19,850,000	18,509,155
Paine Webber, Jackson & Curtis, Inc.	6,100,000	5,761,911
Salomon Brothers	26,000,000	24,253,840
Shearson Loeb Rhoades, Hornblower & Co.	16,250,000	15,607,875
Smith Barney Harris Upham & Co. Incorporated	8,650,000	8,063,845
Tucker Anthony & R.L. Day, Inc.	2,500,000	2,444,675

\*Commissions, if any, on these transactions are not separately stated but are reflected in the net sales price quoted by the brokers and dealers.

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Marshall L. Burman



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**Katherine A. Lindsay**, Executive Secretary  
**Retta M. Evans**, Secretary

Investment

**Larry G. Darlington**, Investment Officer  
**Donald L. Wampach**, Investment Officer  
**Nancy L. Folstad**, Investment Analyst  
**Patrick J. Wilk**, Investment Analyst

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**Arturo M. Ramos**, Fiscal Officer  
**John Gullo**, Accountant  
**John A. Mella**, Accountant

CUSTODIAN

**American National Bank & Trust Company**  
Chicago, Illinois

INVESTMENT COUNSEL-OPTIONS

**Capital Consultants, Inc.**

LEGAL COUNSEL

**Robert A. Tlingler**  
**Alexander P. White**

CONSULTING ACTUARY

**A. A. Weinberg**

**Illinois State Board of Investment, 180 North La Salle Street, Suite 905, Chicago, Illinois 60601**